

Japan Hotel REIT Investment Corporation (TSE: 8985)

Financial Results

FY12/2021 (22nd Period)

Japan Hotel REIT Investment Corporation
Japan Hotel REIT Advisors Co., Ltd.
<https://www.jhrth.co.jp/en/>

February 25, 2022

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I . Settlement of Accounts for FY12/2021 — Highlights

1. FY12/2021 Highlights

1. Status of Hotel Operations

▶ Performance of The 24 Hotels with Variable Rent, etc. (*1)

- Although the results in 2021 worsened slightly from the previous year, the second half of the fiscal year showed a recovery trend through December
- Strengthened cost management of operators with a focus on HMJ

| Results | 2019 | 2020 (vs 2019) | 2021 (vs 2019) |
|---------------------|---------------|---------------------------|---------------------------|
| RevPAR (JPY) | 14,178 | 4,993 [[64.8%]] | 4,724 [[66.7%]] |
| First Half | 13,348 | 4,536 [[66.0%]] | 3,320 [[75.1%]] |
| Second Half | 14,993 | 5,445 [[63.7%]] | 6,112 [[59.2%]] |
| GOP (JPY MM) | 20,871 | 1,654 [[92.1%]] | 2,437 [[88.3%]] |

2. Acquisition and Sale of Properties

▶ Acquired part of the site of Oriental Hotel Universal City (July 2021)

▶ Sold ibis Tokyo Shinjuku (December 2021)

| | |
|-------------------|--------------------|
| Disposition Price | JPY 11.3 Bn |
| Appraisal Value | JPY 9.9 Bn |
| Book Value | JPY 7.8 Bn |

Gain on sale
 **JPY 3.2**Bn

End of FY12/2021 **41** properties/JPY **363.5**Bn (*2)

(*1) The 24 Hotels with Variable Rent, etc. refers to 24 hotels: 14 hotels, which are 5 hotels of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivilla, Oriental Hotel Hiroshima ("The Five HMJ Hotels"), plus Oriental Hotel Okinawa Resort & Spa, Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA), Oriental Hotel Fukuoka Hakata Station, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, Hotel Nikko Nara, Hotel Oriental Express Osaka Shinsaibashi, and Hilton Tokyo Odaiba ("The HMJ Group Hotels"), plus 4 hotels of the b ikebukuro, the b hachioji, the b hakata, and the b suidobashi ("The Ishin Group Hotels") and 6 hotels of ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka ("The Accor Group Hotels"). The same shall apply hereinafter.

(*2) Stating total amount of the acquisition price.

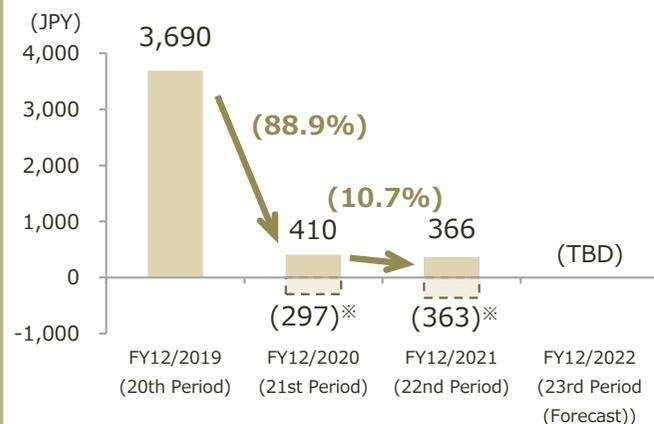
(*3) Rough estimate calculated by excluding the amount equivalent to the gain on sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi from the distributable profit in FY12/2020 and the amount equivalent to the gain on sale of ibis Tokyo Shinjuku from the distributable profit in FY12/2021 respectively.

(*4) The figures represent balance of cash and deposits after exclusion of various reserves in trust, etc.

3. Changes in DPU and NAV

▶ Changes in DPU

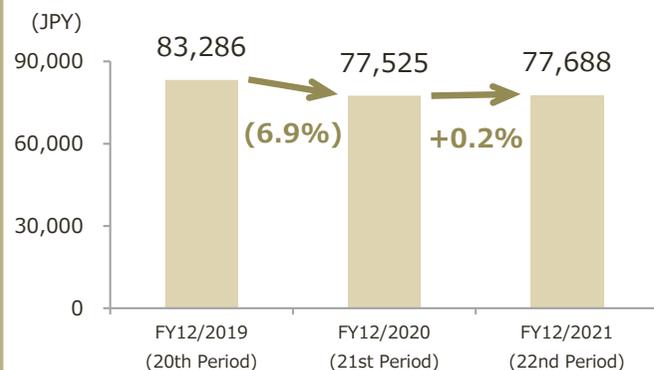
- The market environment is unclear due to the impact of COVID-19. Forecasts for 2022 are undecided



※ Rough estimate in case gain on sale was excluded (*3)

▶ Changes in NAV per Unit

- Almost no change in the appraisal value and NAV per unit remained at the same level



4. Financial Soundness

▶ Conservative Financial Management

- Continue to maintain good relationships with lenders
- Secure cash on hand and maintain a solid financial base
- All matured loans are fully refinanced. Matured investment corporation bonds are redeemed by loans from major lenders

(as of the end of December 2021)

| | | | |
|---------------------------------|--------------------|-----------------|--------------------|
| LTV (total asset base) | 41.8% | Refinancing | |
| Costs for Interest-bearing Debt | 1.0% | 2021 (result) | JPY 24.1 Bn |
| Average Life of Debt | 3.5 years | 2022 (forecast) | JPY 38.4 Bn |
| Free Cash (*4) | JPY 21.6 Bn | | |

5. Sustainability Initiatives

▶ Acquisition of GRESB Real Estate Assessment

- Received "4-star" and selected for "Sector Leader" of Asian Hotel Sector in 2021 for two consecutive years



▶ Definition of materiality

- Further promotion of ESG-related initiatives

▶ Expressed support for the TCFD recommendations



II. Summary of Settlement of Accounts

1. Results for FY12/2021

(Unit: JPY MM)

| | FY12/2019 (20th Period) | FY12/2020 (21st Period) | FY12/2021 (22nd Period) | | Breakdown of Variance | | | | |
|---|----------------------------|----------------------------|----------------------------|-----------------------------------|-----------------------|----------|-------------------------------------|-------------------------------------|--------------------------------|
| | Actual | Actual (A) | Actual (B) | (Reference) Annualized Results | (B)-(A) | Variance | Property Sold in 2020 (*3) | Property Sold in 2021 (*4) | Existing Properties (*5) |
| Properties | | | | | | | | | |
| No. of Properties | 43 | 42 | 41 | 41 | (1) | - | - | - | - |
| Acquisition Price | 374,508 | 370,031 | 363,542 | 363,542 | (6,489) | (1.8%) | - | (7,243) | 753 |
| Profit and Loss | | | | | | | | | |
| Operating Revenue | 28,278 | 13,838 | 13,633 | 10,218 | (205) | (1.5%) | (3,390) | 3,273 | (87) |
| Real Estate Operating Revenue | 28,278 | 10,495 | 10,374 | 10,218 | (121) | (1.2%) | (232) | 14 | 96 |
| Fixed Rent | 56.3% 15,931 | 72.8% 7,640 | 61.8% 6,413 | 61.9% 6,321 | (1,226) | (16.0%) | (149) | (11) | (1,065) |
| Other Income | 4.1% 1,170 | 8.5% 892 | 8.4% 872 | 8.3% 843 | (19) | (2.2%) | (16) | (8) | 5 |
| Variable Rent | 39.5% 11,176 | 18.7% 1,963 | 29.8% 3,088 | 29.9% 3,054 | 1,124 | 57.3% | (66) | 33 | 1,157 |
| Gain on Sale of Properties, etc. | - | 3,343 | 3,258 | - | (84) | (2.5%) | (3,158) | 3,258 | (184) |
| NOI ^(*2) | 24,087 | 6,547 | 6,366 | 6,321 | (181) | (2.8%) | (200) | 34 | (15) |
| NOI Yield | 6.4% | 1.8% | 1.8% | 1.7% | (0.0%) | | | | |
| Depreciation | 4,557 | 4,761 | 4,804 | 4,695 | 42 | | (12) | (5) | 60 |
| Asset Retirement Obligations Expenses | 2 | 1 | 1 | 1 | 0 | | - | - | 0 |
| Loss on Retirement of Noncurrent Assets | 246 | 5 | 16 | 16 | 10 | | - | - | 10 |
| NOI after Depreciation ^(*2) | 19,281 | 1,778 | 1,544 | 1,607 | (234) | (13.2%) | (187) | 39 | (86) |
| NOI Yield after Depreciation | 5.1% | 0.5% | 0.4% | 0.4% | (0.1%) | | | | |
| Other Operating Expenses | 2,132 | 1,945 | 1,843 | 1,843 | (102) | - | | | |
| Operating Income | 17,148 | 3,176 | 2,959 | (236) | (216) | (6.8%) | | | |
| Ordinary Income | 15,291 | 1,398 | 1,298 | (1,897) | (100) | (7.2%) | | | |
| Extraordinary Income | - | (*)130 | - | - | (130) | | | | |
| Others | 1 | 1 | 1 | 1 | - | | | | |
| Net Income | 15,290 | 1,527 | 1,296 | (1,897) | (230) | (15.1%) | | | |
| Dividend | | | | | | | | | |
| Use of Negative Goodwill | 1,176 | 305 | 335 | 335 | 29 | 9.7% | | | |
| Total Dividends | 16,466 | 1,829 | 1,634 | - | (194) | (10.6%) | | | |
| Number of Units Issued (Unit) | 4,462,347 | 4,462,347 | 4,467,006 | 4,467,006 | 4,659 | 0.1% | | | |
| Dividend per Unit (JPY) | 3,690 | 410 | 366 | - | (44) | (10.7%) | | | |

Major Causes of Variance of Existing Properties

Fixed Rent

- The HMJ Group Hotels (JPY794MM)
 - The Ishin Group Hotels (JPY7MM)
 - Chisun Hotel Kamata (JPY93MM)
 - Change in lessees/rebranding^(*6) (JPY172MM)
 - Others +JPY1MM
- total (JPY1,065MM)**

Variable Rent

- The HMJ Group Hotels +JPY1,063MM
 - The Accor Group Hotels +JPY72MM
 - The Ishin Group Hotels +58MM
 - Other hotels, etc. (JPY37MM)
- total +JPY1,157MM**

(*1) For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2021 (January 1, 2021–December 31, 2021) dated February 25, 2022.

(*2) Each is calculated using the following formula: NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses.

NOI after depreciation = Real estate operating revenue – Real estate operating costs

(*3) Stating the impact by the sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi, which was sold on July 1, 2020.

(*4) Stating the impact by the sale of ibis Tokyo Shinjuku sold on December 15, 2021.

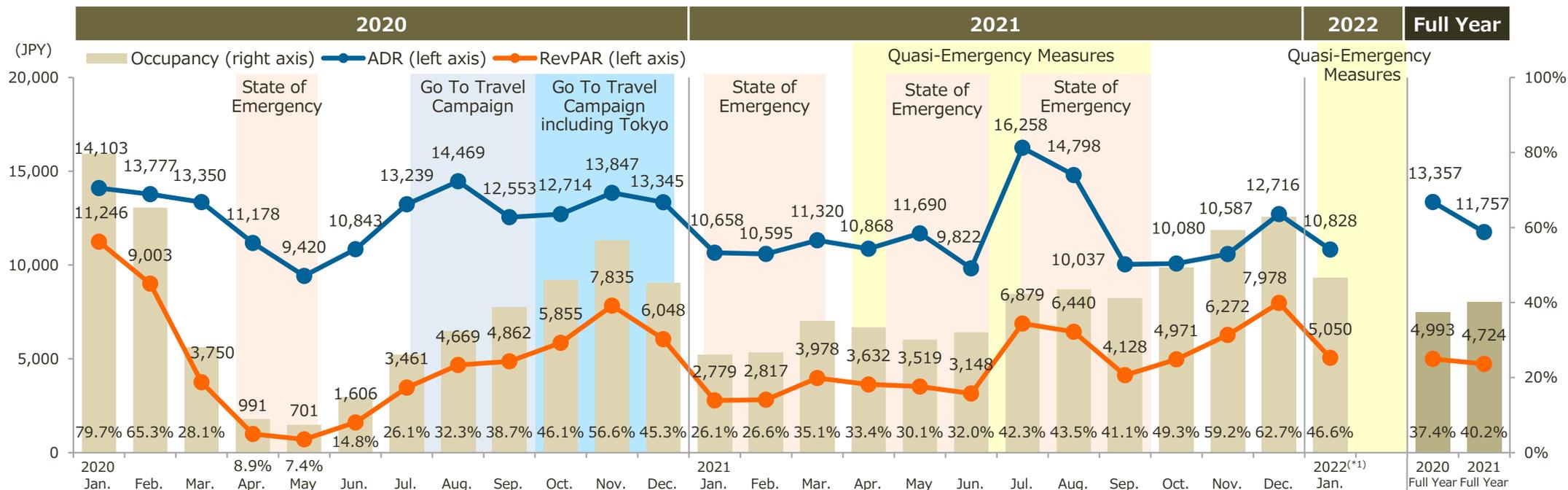
(*5) Existing properties refer to 41 properties JHR owns as of February 25, 2022. The same shall apply hereinafter.

(*6) Stating impact by Hotel Oriental Express Fukuoka Tenjin (former Ascent Fukuoka) and Oriental Hotel Universal City (former Hotel Keihan Universal City). Both hotels are rebranded with subsidiaries of HMJ as their lessees.

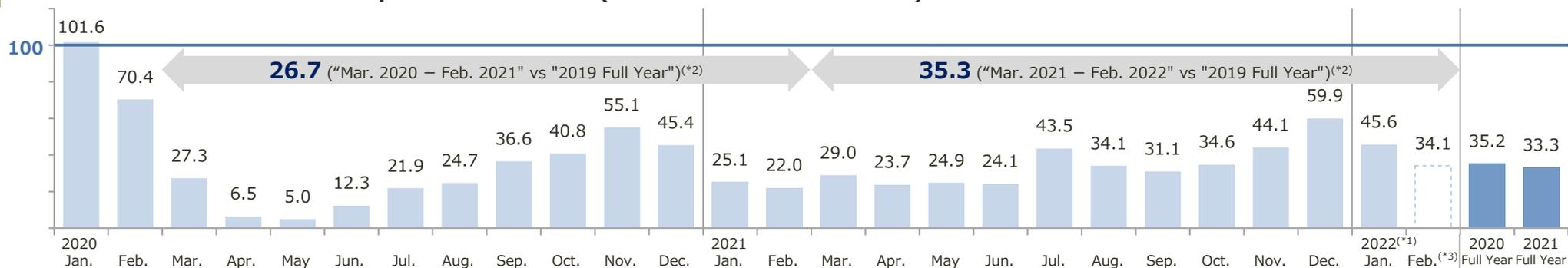
(*7) Stating the income from the acknowledgement of the claim for return of rental deposit that had not been recorded as guarantee deposit at Hotel Oriental Express Fukuoka Tenjin.

III. Status of Hotel Operations

1. Monthly Performance of The 24 Hotels with Variable Rent, etc.



Trend of RevPAR Index in Comparison with 2019 (same month in 2019=100)



<Number of temporarily closed hotels and hotels accepting COVID-19 patients with mild or no symptoms among The 24 Hotels with Variable Rent, etc.>

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|----|----|----|-------|-------|-------|------|------|------|------|------|------|-------|-------|------|------|------|------|------|------|------|------|------|------|------|------|---|---|
| No. of hotels closed | 0 | 0 | 0 | 10 | 16 | 9 | 4 | 2 | 2 | 2 | 2 | 3 | 5 | 5 | 4 | 2 | 3 | 3 | 2 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | - | - |
| % of No. of guest rooms of the hotels closed | 0% | 0% | 0% | 15.3% | 70.5% | 33.9% | 8.1% | 5.6% | 5.6% | 5.6% | 5.6% | 7.4% | 10.3% | 17.4% | 7.1% | 6.4% | 6.6% | 8.9% | 6.4% | 5.4% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | - | - |
| No. of hotels accepting patients with mild or no symptoms | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | - | - | |

(*1) Based on 23 hotels which excludes ibis Tokyo Shinjuku (sold on December 15, 2021) from The 24 Hotels with Variable Rent, etc. Therefore, the figures are different from those disclosed by "Announcement of Monthly Disclosure for January 2022" today.

(*2) The numbers are result of indexation during the corresponding period (1 year from March 2020 to February 2021 and March 2021 to February 2022) with actual number of RevPAR for full year 2019 is set as 100.

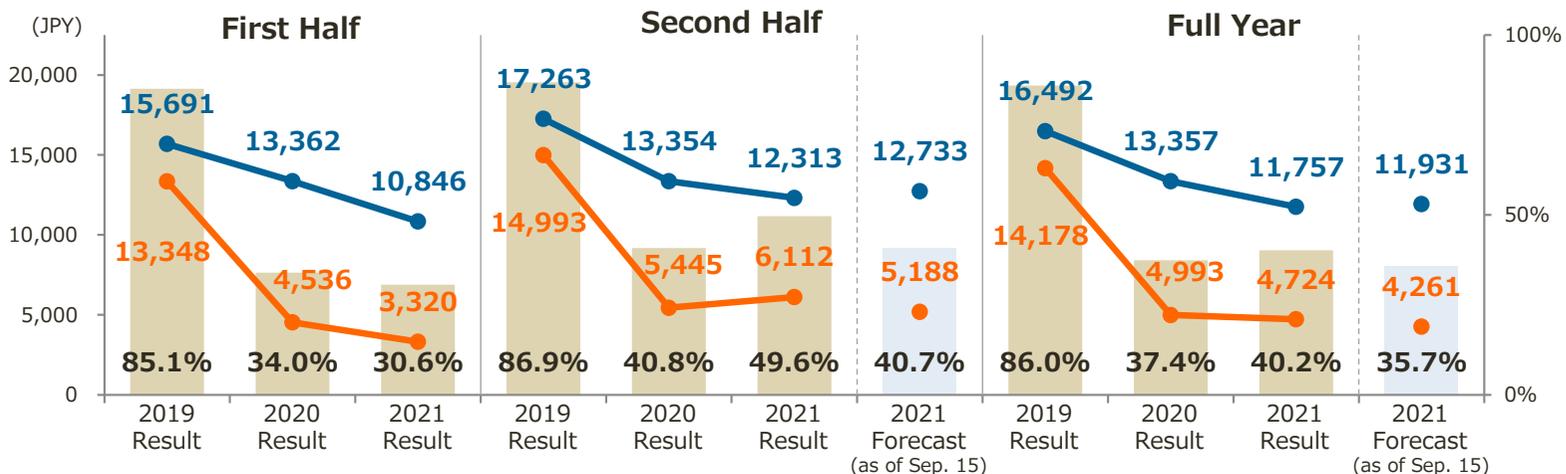
(*3) Forecasted figure as of today

2. Performance of The 24 Hotels with Variable Rent, etc.

Performance of Major Indicators

Occupancy (right axis) ADR (left axis) RevPAR (left axis)

Total of The 24 Hotels with Variable Rent, etc.

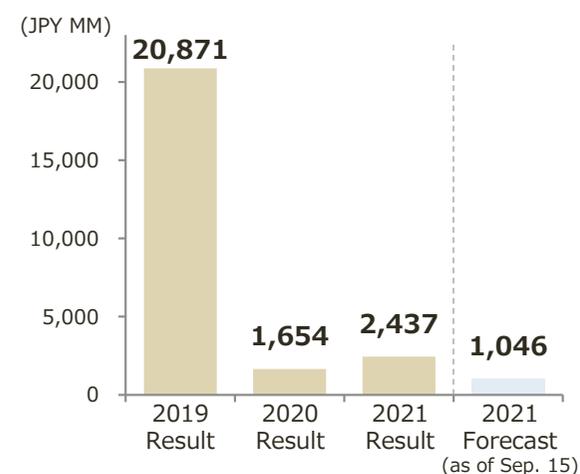


| | | | |
|--------|---------|---------|---------|
| RevPAR | vs 2019 | (66.0%) | (75.1%) |
| | vs 2020 | - | (26.8%) |

| | | | |
|--|---------|---------|---------|
| | (63.7%) | (59.2%) | (65.4%) |
| | - | +12.2% | (4.7%) |

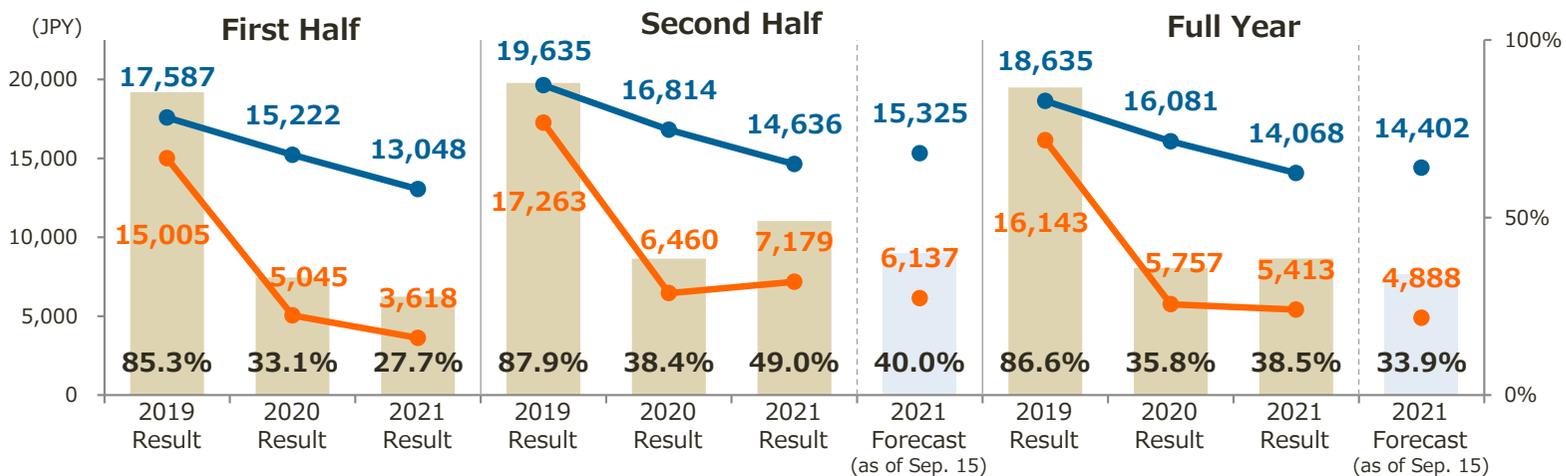
| | | | |
|--|---------|---------|---------|
| | (64.8%) | (66.7%) | (69.9%) |
| | - | (5.4%) | (14.7%) |

Performance of GOP



| | | | |
|---------|---------|---------|---------|
| vs 2019 | (92.1%) | (88.3%) | (95.0%) |
| vs 2020 | - | +47.4% | (36.7%) |

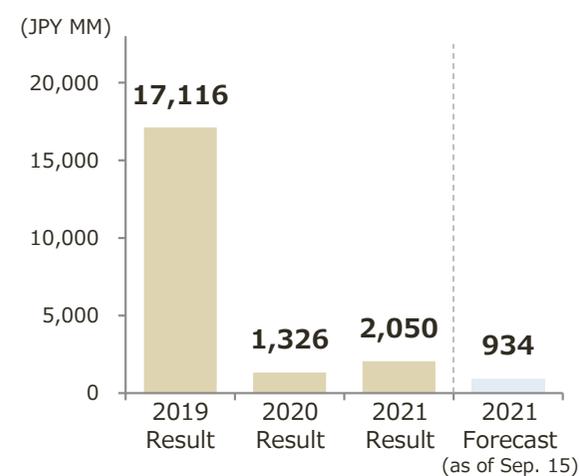
The HMJ Group Hotels



| | | | |
|--------|---------|---------|---------|
| RevPAR | vs 2019 | (66.4%) | (75.9%) |
| | vs 2020 | - | (28.3%) |

| | | | |
|--|---------|---------|---------|
| | (62.6%) | (58.4%) | (64.5%) |
| | - | +11.1% | (5.0%) |

| | | | |
|--|---------|---------|---------|
| | (64.3%) | (66.5%) | (69.7%) |
| | - | (6.0%) | (15.1%) |



| | | | |
|---------|---------|---------|---------|
| vs 2019 | (92.3%) | (88.0%) | (94.5%) |
| vs 2020 | - | +54.7% | (29.5%) |

3. Acquisition and Sale of Properties

Sale of Property

Sale of **ibis Tokyo Shinjuku** (December 2021)

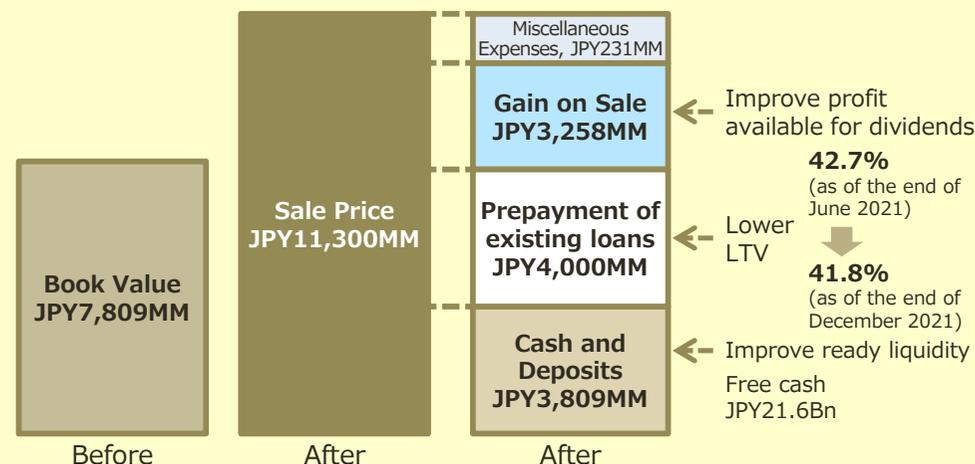
- Sold a limited-service hotel in Tokyo with large amount of unrealized gain
- Sold the property at a price substantially excess of the appraisal value

| | |
|---|--------------------|
| Date of Conclusion of Purchase and Sale Agreement | September 15, 2021 |
| Date of Sale | December 15, 2021 |
| Sale Price | JPY11,300MM |
| Acquisition Price | JPY7,243MM |
| Book Value | JPY7,809MM |
| Gain on Sale | JPY3,258MM |
| Appraisal Value ^(*1) | JPY9,900MM |

(*1) As of the end of June 2021.

◆ Use of Gain on Sale

- Aim to improve ready liquidity and to increase dividend
- Control LTV with prepayment of the existing loans



Acquisition of Property

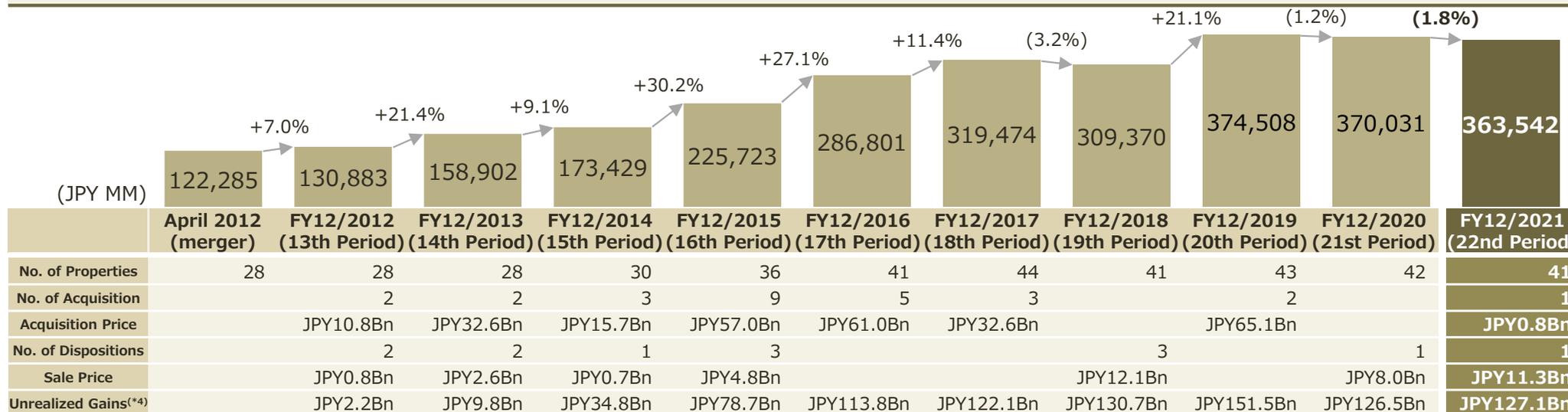
Acquisition of Part of Site of **Oriental Hotel Universal City** (July 2021)

- Lease contract of part of site of the Hotel with Osaka City was expired. According to the condition in the contract, JHR acquired the Land
- Improve cash flow since the amount of fixed asset tax and city planning taxes, etc. is smaller than the ground rent payment

| | |
|-----------------------------|----------|
| Acquisition Price | JPY754MM |
| Appraisal Value | JPY763MM |
| Ground rent ^(*2) | JPY21MM |

(*2) Stated amount of annual ground rent during the period when JHR leased the site and paid.

Change in Asset Size^(*3)



(*3) Asset size is based on the aggregate acquisition price of the properties at the end of each fiscal period. The same shall apply hereinafter.

(*4) Unrealized gains are calculated by subtracting book value from appraisal value.

Aim for Successive Growth

4. Response to Lessees/Operators

◆ Full variable rent scheme for 2021 in the lease contract with HMJ, the strategic operator, was extended by one year

Change in Lease Contract with HMJ

Summary of Rent Terms

| | | |
|--------------|--|---|
| 2020 | Change to variable rent only on and after February | |
| 2021 | Variable rent only | |
| 2022 | Variable rent only | |
| 2023 Onwards | Fixed Rent | Same amount as the previous lease contract |
| | Variable Rent | Set variable rent ratio with appropriate rent burden ratio (Approx. 85.5% of GOP) ^(*1) |

(*1) When AGOP of each hotel exceeds AGOP base amount, the variable rent is calculated by multiplying the exceeded amount by the variable rent ratio set for each hotel.

Detail of Agreement

HMJ

- Further promotion to improve profit
- Cost reduction by JPY1.5Bn (implemented)
- **Additional cost reduction by JPY0.5Bn (Additional agreement in 2022)**

JHR

- Increase of variable rent
- Scheme to recover the amount equivalent to the exempted fixed rent

Simulation of Rent

- If the rent is calculated based on the same hotel performance as in 2019, the rent will increase due to the effect of cost reduction by HMJ (Unit: JPY Bn)

| | 2019 (Actual) | 2020 (Actual) | 2021 (Actual) | Rough estimate when RevPAR in 2019 is assumed ^(*3) | |
|---------------|---------------|---------------|---------------|---|-------------------------------------|
| | | | | Cost Reductions (completed) | After Additional Cost Reduction |
| Fixed Rent | 8.03 | 0.79 | 0.00 | 8.03 | 8.03 |
| Variable Rent | 7.23 | 1.05 | 2.14 | 7.90 | 8.35 |
| Total | 15.26 | 1.85 | 2.14 | 15.93 (+4.3%)^(*4) | 16.38 (+7.3%)^(*4) |

(*2) For 2019, the rents of Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba were annualized. The fixed rent of Hilton Tokyo Odaiba was calculated at JPY1.6Bn.

(*3) The figure was calculated based on certain assumptions based on hotel performance in 2019. The figure may differ depending on the actual GOP results.

(*4) Stating the increase rate compared with the actual figure in 2019 for each estimate.

Response to Other Operators

- Under discussion with only one operator for rent reduction at this point

Restructuring Plan by HMJ

- HMJ implemented significant cost reductions and achieved the planned savings. Planning to reduce additional JPY0.5Bn through promotion of various measures
- Heading toward post COVID-19 period, implement measures to increase profit while reducing cost

Measures to Reduce Cost

Personal Cost

- ✓ Streamlining, cutback and closure of unprofitable department
- ✓ Streamlining through integration of back office and common operations
- ✓ Introduction of smart check in
- ✓ Streamlining by promotion of multi-task
- ✓ Reduce work force by measures above

Outsourcing Cost

- ✓ Review specification of outsourced operation, integration of standard, etc.
- ✓ Insourcing outsourced operation

Measures to Improve Profit

- ✓ Create attractive products
Promote "Oriental" brand
- ✓ Established membership program (Club Oriental)
→ Stimulate demand and increase direct booking (Reduce cost of fee)
- ✓ Improve recognition of brand through TV commercial etc.
- ✓ Introduction of tenants and operators, etc. in restaurants

※ Rough estimate of amount of cost reduction based on result of hotels in 2019

| | Personal Cost | Outsourcing Cost |
|--|---|---------------------------|
| Amount of Reduced Cost by 2021 (Annual base) | Approx. JPY 1.1 Bn | Approx. JPY 0.4 Bn |
| After 2022 (Plan) | <ul style="list-style-type: none"> ➢ Additional reduction of JPY0.5Bn through strengthened implementation of cost reduction ➢ Improve profit ratio through measures to improve profit | |

Recover exempted fixed rent in the future

5. Change in Lessees/Rebranding (1)

Hotel Oriental Express Fukuoka Tenjin (former HOTEL ASCENT FUKUOKA)



Before

After

Exterior



Produce stylish entrance through establishment of unique facade

◆ Summary of Rebranding

| | |
|------------------------------------|---|
| Opening Date after Rebranding | June 18, 2021 |
| Points of the Change | <ul style="list-style-type: none"> ● The grade of the hotels has been changed from economy to mid-price ● Changed the lessee to The HMJ Group in accordance with the withdrawal of the former lessee. More efficient operations will be carried out through sharing back offices with The HMJ Group Hotels located in Fukuoka |
| Points of Change in Lease Contract | <ul style="list-style-type: none"> ● Fixed-term lease contract ● Term: June 2021 to December 2031 ● Changed to "fixed rent + variable rent" from "fixed rent only" (same scheme with the other HMJ group hotels) |
| Revenue Upside, etc. | <p><NOI Yield Assumption> Result of 2019 6.1%</p> <p>Market recovery period(*) 8.3%</p> |

Lobby



Space with feel of warmth of wood provide easy and calm atmosphere by indirect lighting

Guest Room



Inside of guest rooms are unified with natural and calm color and provide compact but relaxed space

(*) Market recovery period refers to the timing when market recover to the level that RevPAR reach the same level with the result in 2019. Yield is rough estimate calculated based on assumption of RevPAR in 2019. Numbers may change by various factors.

5. Change in Lessees/Rebranding (2)

Oriental Hotel Universal City (former Hotel Keihan Universal City)



Before

After

Entrance



Rising big tree at entrance is a symbol of the hotel concept "Charge from Nature"

Summary of Rebranding

| | |
|------------------------------------|---|
| Opening Date after Rebranding | Pre-opening: July 1, 2021 Grand opening: December 23, 2021 |
| Points of the Change | <ul style="list-style-type: none"> ● Changed the lessee to The HMJ Group in accordance with the expiration of the lease contract with the former lessee. Operations leveraging the advantages of operating multiple hotels in Osaka ● As an official hotel of USJ, expect quick recovery by domestic demand |
| Points of Change in Lease Contract | <ul style="list-style-type: none"> ● Changed to fixed-term lease contract from ordinary lease contract ● Term: July 2021 to December 2031 ● Changed to "fixed rent + variable rent" from "fixed rent + revenue sharing" (same scheme with the other HMJ group hotels) |
| Revenue Upside, etc. | <p><NOI Yield Assumption> Result of 2019 11.1%</p> <p>Market recovery period(*) 18.4%</p> |

Lobby



A high-quality space with image of healing forest keeps distance from the hustle and bustle of outside

Guest Room



Simple and calm guestrooms with tone of earth color

(*) Market recovery period refers to the timing when market recover to the level that RevPAR reach the same level with the result in 2019. Yield is rough estimate calculated based on assumption of RevPAR in 2019. Numbers may change by various factors.

5. Change in Lessees/Rebranding (3)

Oriental Hotel Okinawa Resort & Spa (former Okinawa Marriott Resort & Spa)



◆ Summary of Rebranding

| | |
|------------------------------------|---|
| Opening Date after Rebranding | October 1, 2021 |
| Points of the Change | <ul style="list-style-type: none"> ● The name was changed to Oriental Hotel Okinawa Resort & Spa of The HMJ Group in line with the expiration of the franchise contract^(*1) with the Marriott group ● Plan to conduct renovation at lobby, pool, guest rooms, etc. |
| Points of Change in Lease Contract | No change |
| Revenue Upside, etc. | <p><NOI Yield Assumption> Result of 2019 5.7%</p> <p>Market recovery period^(*2) 9.4%</p> |

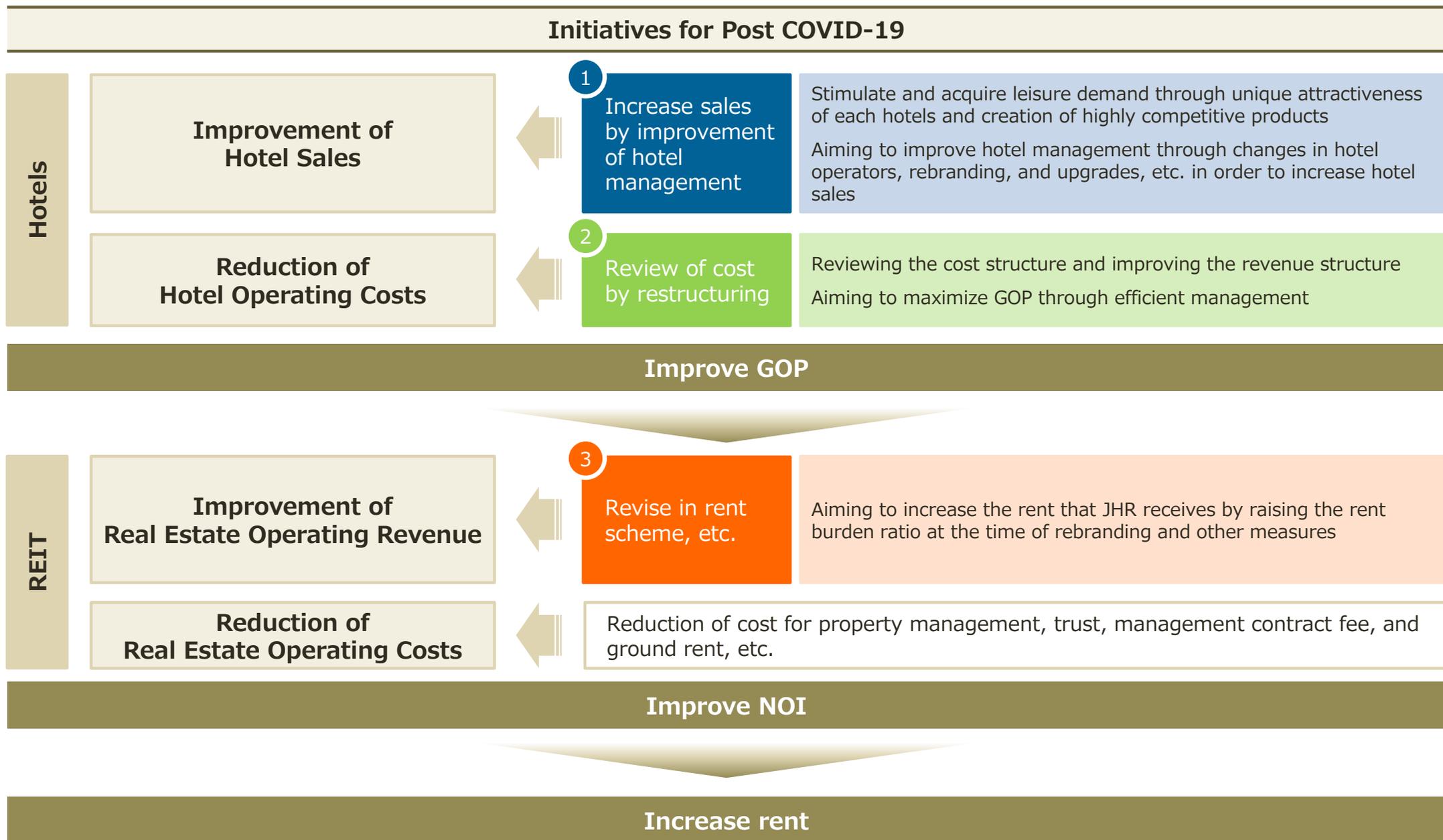
(*1) Stating a contract between the hotel operating company and Global Hospitality Licensing S.a r.l., a franchisor of the international brand, Marriott.

(*2) Market recovery period refers to the timing when market recover to the level that RevPAR reach the same level with the result in 2019. Yield is rough estimate calculated based on assumption of RevPAR in 2019. Numbers may change by various factors.

| | Before | After |
|---|--------|--|
| <div style="background-color: #d9ead3; padding: 5px; border-radius: 10px; display: inline-block;">Pool</div> | | <p>Newly established pool-side deck to provide space to relax and enjoy BBQ in cabana</p> <p>Night pool with lighting effects was transformed into a photogenic spot</p> |
| <div style="background-color: #d9ead3; padding: 5px; border-radius: 10px; display: inline-block;">Club Lounge</div> | | <p>In the lobby, new high-quality lounge was created with full of greenery by abundant plants that grew naturally in Yanbaru</p> |

6. Active Asset Management for Post COVID-19

◆ Potential upside by active asset management

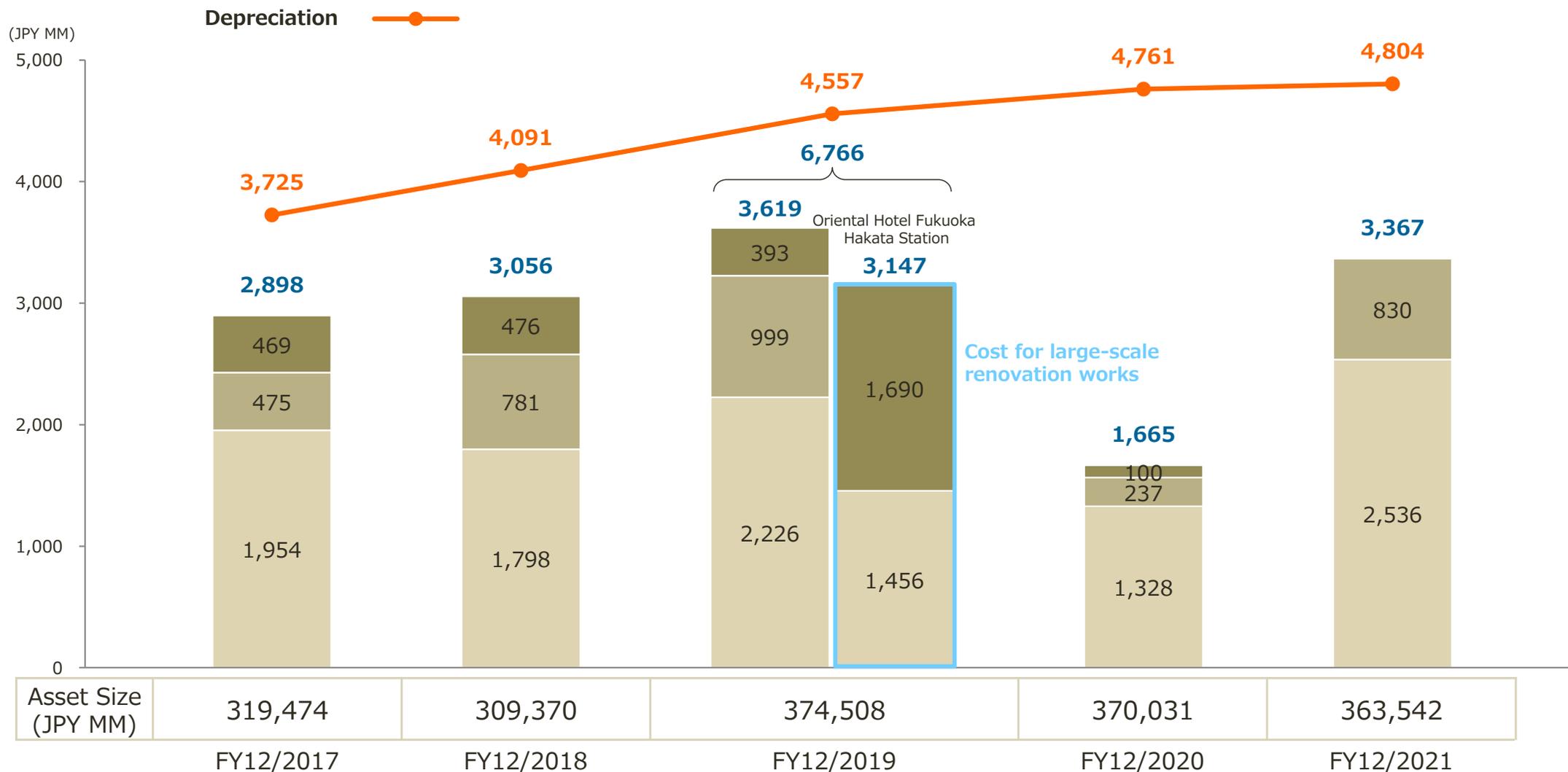


7. Capital Expenditure and Depreciation

◆ Prioritize securing ready liquidity by restraining mainly CAPEX III, taking the conditions of the hotel market into account

Clarification of CAPEX

- CAPEX I capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties
- CAPEX II capital investment for fixtures furniture and equipment that are not directly related to building structures or facilities but necessary for operating hotels
- CAPEX III strategic capital investment for renewals of guest rooms, banquet rooms, restaurant and others in order to maintain or to improve the competitiveness of the hotels



8. Sustainability Initiatives (JHR)

JHR established a Sustainability Policy in December 2017. JHR is making efforts to enhance sustainability through appropriate approach to ESG issues while aiming to JHR's growth over the medium to long term through co-existence with society and the environment in harmony

GRESB Real Estate Assessment^(*1)

Acquired **"Green Star"** for four consecutive years from 2018

In 2021, JHR was selected for **"Sector Leader"** in **Asian hotel sector** for two consecutive years

Acquired **"4-star"** in GRESB Rating



Significant Expansion of ESG Related Disclosure Information on Website

Fully renewed ESG related pages on website on January 2022

<https://www.jhrth.co.jp/en/esg/index.html>



JHR will continue to promote and disclose ESG-related measures proactively

New Initiatives in FY12/2021

Definition of Materiality

From the dual standpoints of stakeholders' expectations and impact on its business, JHR has defined seven items of materiality (key issues) related to ESG for JHR.

| | Materiality | Related SDGs |
|----------|---|---|
| E | 1. Tackling climate change | 13 CLIMATE ACTION |
| | 2. Reducing water consumption and waste | 6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| S | 3. Communication with stakeholders such as local communities | 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES |
| | 4. Ensuring safety/peace of mind and promoting well-being at hotels | 11 SUSTAINABLE CITIES AND COMMUNITIES, 17 PARTNERSHIPS FOR THE GOALS |
| | 5. Creating pleasant workplaces | 17 PARTNERSHIPS FOR THE GOALS |
| G | 6. Implementing through corporate governance | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| | 7. Proactive information disclosure and dialogue | 17 PARTNERSHIPS FOR THE GOALS |

Initiatives for Climate Change~ Support for the TCFD Recommendations^(*2)

- In November 2021, JHRA stated its expression of support for the TCFD recommendations
- Joined the TCFD Consortium and gradually started various activities



(*1) The GRESB is an annual benchmarking program to evaluate ESG considerations of property companies and real estate funds. The GRESB Real Estate Assessment is distinguished by its comprehensive evaluation of initiatives for sustainability of property companies, REITs and real estate funds, not of individual properties. GRESB rating is a relative evaluation based on comprehensive scores and the highest being "5-stars."

(*2) Abbreviated name for Task Force on Climate-Related Financial Disclosures.

8. Sustainability Initiatives (Each Hotels)

◆ Hotels owned by JHR implemented various activities with considerations in ESG

Initiatives to Improve Satisfaction of Guests

Aggregation and Expansion of Amenities (Amenity Eco)

(Oriental Hotel tokyo bay)

- Set up exclusive room where hotel guests can select amenities to be used inside their guest rooms. Reduce waste by using necessary items only
- While created facility with image of variety shop in France, upgraded quality of amenities. Realized most suitable environment for family guests through expansion of goods for babies



Introduction of Self Service in Luggage Storage (guest lockers)

(3 hotels including Oriental Hotel tokyo bay)

- Reduce waiting time for guests through introduction of self service on luggage storage when they check in
- Secure safety under "with COVID-19" environment since entrance is controlled by QR code which doesn't require contact



Efforts to Prevent the Spread of COVID-19 at Hotels

Accommodation of COVID-19 Patients with Mild or No Symptoms at Seven Hotels

- Accepted in total 9 hotels

Introduction of Automatic Check-in Machine

- Introduced in 7 hotels including Holiday Inn Osaka Namba



Initiatives to Protect Environment

Activity to Protect Native Species

(Oriental Hotel Okinawa Resort & Spa)

- Offer tours for the guest to experience protection of "Yanbaru no mori forest" where many precious native species are living. Implement tours to embody "Responsible tourism"(*) that can promote more nature conservation activities as the number of tourists increases"

(*) Activity to create better tourist destination through asking tourist to recognize itself as one of important element of tourism and take certain responsibility for own consciousness and activities.



▲ Activity to remove exotic species (Mikania micrantha) by tour participants

▶ Experience trekking course and preservation activities with professional tour guides



Initiatives to Contribute for Local Areas

Promotion of Local Production and Local Consumption (Provide menu with local foods)

(Oriental Hotel tokyo bay)

- Support farming in the nearby area through provision of menu with local foods in restaurants

※ Planning to gradually expand hotels adopting such initiatives



Mizore-jiru (soup) of sardine from Choshi



Acqua pazza by seafood from Chiba Prefecture

IV. Financial Conditions

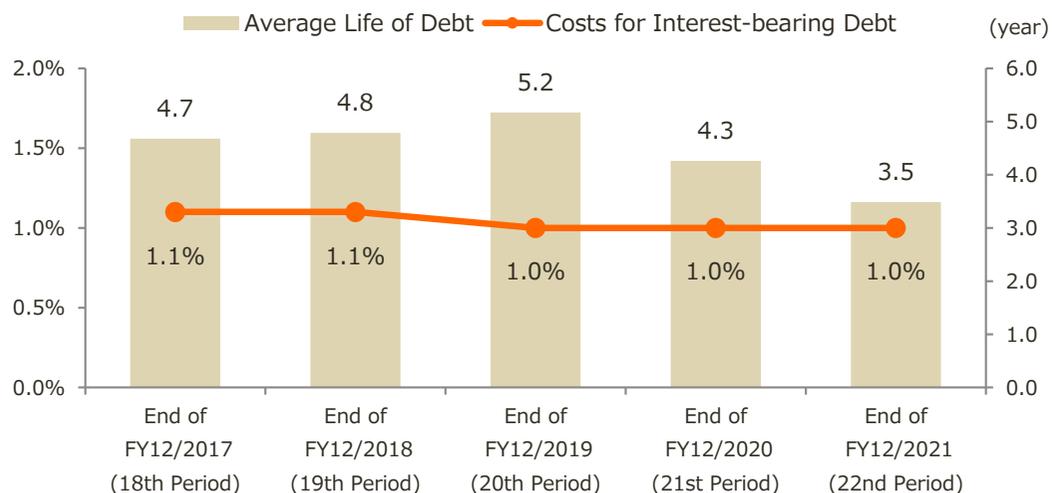
1. Financial Conditions (1)

Main Financial Indicators

(as of the end of December 2021)

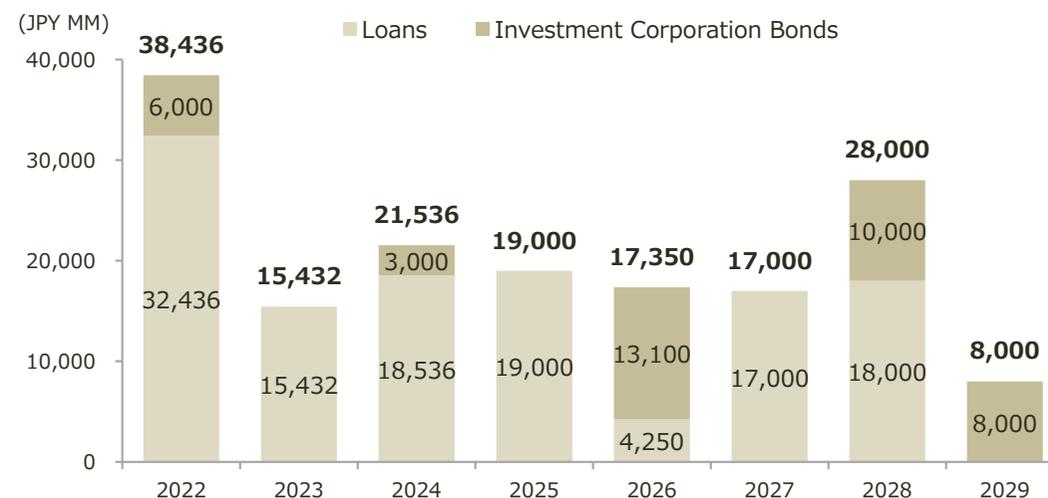
| | |
|---|---------------------|
| LTV (total asset base) | 41.8% |
| Cost for interest-bearing debt ^(*1) | 1.0% |
| Average life of interest-bearing debt ^(*2) | 3.5 years |
| Free cash ^(*3) | JPY 21.6 Bn |
| Unrealized gain | JPY 127.1 Bn |

Changes in Costs for Interest-bearing Debt^(*1) and Average Life of Debt^(*2)



Repayment Schedule of Interest-bearing Debt

(as of the end of December 2021)



Refinancing Result in 2021

| Repayment Date | Balance |
|----------------------|-------------|
| First Half (result) | JPY6,800MM |
| Second Half (result) | JPY17,347MM |

※ The 4th investment corporation bond in amount of JPY1,500MM which matured December 2021 were redeemed by same amount of loans from lenders centered on major lenders

(*1) Weighted-average costs for interest-bearing debt (including up-front fee, etc.) as of the end of each year. Rounded off to one decimal place.

(*2) Average life of interest-bearing debt as of the end of each year.

(*3) Represent the balance of cash and deposits, excluding various reserves in trust, etc.

1. Financial Conditions (2)

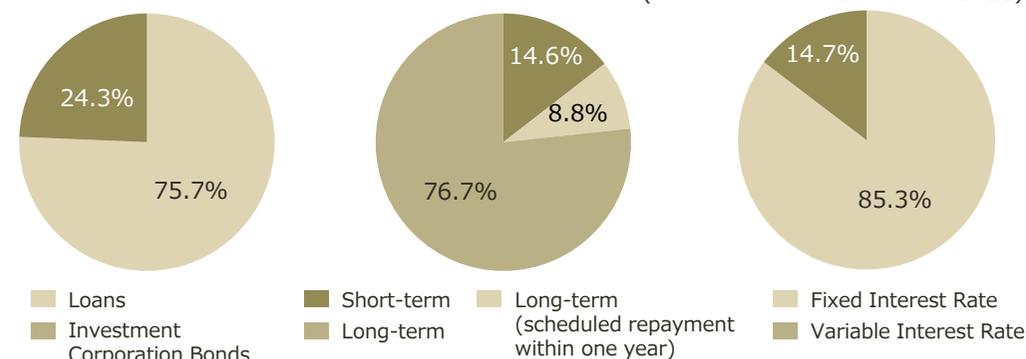
Lender List for Interest-bearing Debt

(Unit: JPY MM)

| Lenders/Bond Name | Balance (as of the end of December 2020) | | Balance (as of the end of December 2021) | | Variance |
|--|--|---------------|--|---------------|----------------|
| | Balance | % | Balance | % | |
| Sumitomo Mitsui Banking Corporation | 32,388 | 19.2% | 32,323 | 19.6% | (65) |
| Mizuho Bank, Ltd. | 19,370 | 11.5% | 19,330 | 11.7% | (40) |
| Shinsei Bank, Ltd. | 19,015 | 11.3% | 18,558 | 11.3% | (457) |
| Sumitomo Mitsui Trust Bank, Limited | 13,825 | 8.2% | 13,795 | 8.4% | (30) |
| Resona Bank, Limited | 10,126 | 6.0% | 9,882 | 6.0% | (244) |
| Development Bank of Japan Inc. | 5,900 | 3.5% | 5,885 | 3.6% | (15) |
| Fukuoka Bank, Ltd. | 4,750 | 2.8% | 4,636 | 2.8% | (114) |
| The Nomura Trust and Banking Co., Ltd. | 4,660 | 2.8% | 4,548 | 2.8% | (112) |
| Aozora Bank, Ltd. | 3,435 | 2.0% | 3,352 | 2.0% | (83) |
| MUFG Bank, Ltd. | 4,135 | 2.5% | 3,123 | 1.9% | (1,012) |
| The Chiba Bank, Ltd. | 2,900 | 1.7% | 2,732 | 1.7% | (168) |
| The Nishi-Nippon City Bank, Ltd. | 2,750 | 1.6% | 2,684 | 1.6% | (66) |
| Hiroshima Bank, Ltd. | 1,900 | 1.1% | 1,854 | 1.1% | (46) |
| Sompo Japan Insurance Inc. | 1,500 | 0.9% | 1,464 | 0.9% | (36) |
| The Shizuoka Bank, Ltd. | 500 | 0.3% | 488 | 0.3% | (12) |
| Total of Bank Loans | 127,154 | 75.3% | 124,654 | 75.7% | (2,500) |
| Investment Corporation Bonds (for institutional investors) | | | | | |
| 4th Investment Corporation Bonds without Collateral | 1,500 | 0.9% | 0 | 0.0% | (1,500) |
| 6th Investment Corporation Bonds without Collateral | 3,000 | 1.8% | 3,000 | 1.8% | - |
| 8th Investment Corporation Bonds without Collateral | 1,100 | 0.7% | 1,100 | 0.7% | - |
| 9th Investment Corporation Bonds without Collateral | 1,000 | 0.6% | 1,000 | 0.6% | - |
| 12th Investment Corporation Bonds without Collateral | 2,000 | 1.2% | 2,000 | 1.2% | - |
| Total of Investment Corporation Bonds (for institutional investors) | 8,600 | 5.1% | 7,100 | 4.3% | (1,500) |
| Investment Corporation Bonds (for individual investors) | | | | | |
| 5th Investment Corporation Bonds without Collateral | 6,000 | 3.6% | 6,000 | 3.6% | - |
| 7th Investment Corporation Bonds without Collateral | 9,000 | 5.3% | 9,000 | 5.5% | - |
| 10th Investment Corporation Bonds without Collateral | 10,000 | 5.9% | 10,000 | 6.1% | - |
| 11th Investment Corporation Bonds without Collateral | 8,000 | 4.7% | 8,000 | 4.9% | - |
| Total of Investment Corporation Bonds (for individual investors) | 33,000 | 19.6% | 33,000 | 20.0% | - |
| Total of Investment Corporation Bonds | 41,600 | 24.7% | 40,100 | 24.3% | (1,500) |
| Total of Interest-bearing Debt | 168,754 | 100.0% | 164,754 | 100.0% | (4,000) |

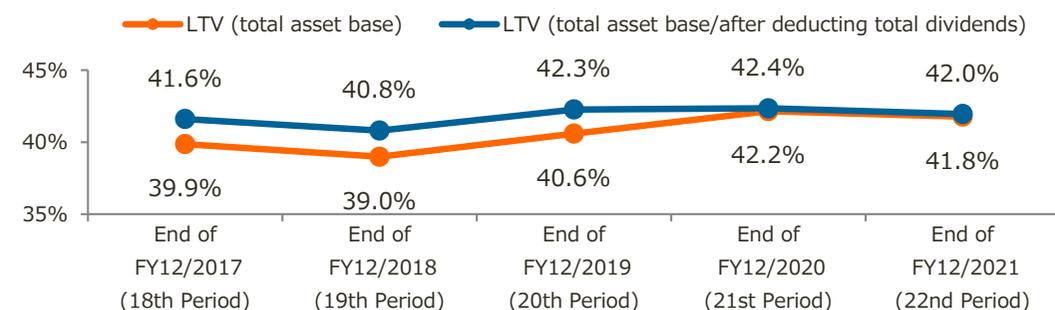
Breakdown of Interest-bearing Debt

(as of the end of December 2021)



(*) Long-term represents debts with original maturity over one year, and short-term represents debts with original maturity within one year.

Changes in LTV (total asset base)



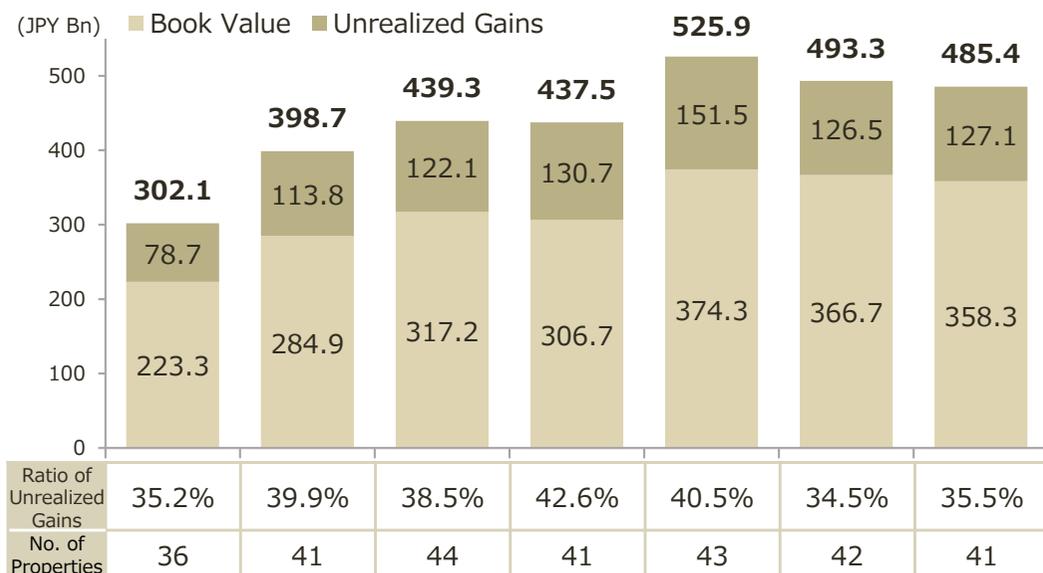
(*) LTV as of the end of each year.

Status of Credit Rating

| | |
|---|----------------------|
| Japan Credit Rating Agency, Ltd. (JCR) | A+ (negative) |
| Rating and Investment Information, Inc. (R&I) | A (negative) |

1. Financial Conditions (3)

Changes in Appraisal Value (Unrealized Gains)



FY12/2015 (16th Period) FY12/2016 (17th Period) FY12/2017 (18th Period) FY12/2018 (19th Period) FY12/2019 (20th Period) FY12/2020 (21st Period) FY12/2021 (22nd Period)

(*) Unrealized gains are calculated by subtracting book value from appraisal value.

Change in Appraisal Value

(Based on 41 hotels owned by JHR at the end of FY12/2021)

| | No. of Property (*2) | Acquisition Price (JPY MM) | Appraisal(*1) | | | | | |
|----------------------|----------------------|----------------------------|--------------------------|-----------------------------|---------------|---------------------------|------------------------|--------------------------------|
| | | | Appraisal Value (JPY MM) | Variance of Appraisal Value | CAP Rate (*3) | Variance of Cap Rate (*3) | Net Cash Flow (JPY MM) | Variance of Net Cash Flow (*3) |
| End of December 2021 | 41 | 363,542 | 485,480 | +0.4% | 4.6% | (0.0pt) | 22,158 | +0.0% |
| End of December 2020 | 41 | 362,465 | 483,430 | (4.6%) | 4.6% | +0.0pt | 22,151 | (2.3%) |
| End of December 2019 | 41 | 362,465 | 506,760 | - | 4.5% | - | 22,682 | - |

(*1) Based on the appraisal value as of the end of each fiscal period.

(*2) Numbers in this table are for 41 properties after exclusion of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi and ibis Tokyo Shinjuku.

(*3) Cap rate, variance of cap rate and net cash flow are rounded off.

Negative Goodwill

<Policy for Use of Negative Goodwill>

1. Add JPY262 million (50-year amortization amount of negative goodwill) to dividends every period
2. In addition to above, dividends will be increased in response to the following

- Cope with losses caused by property dispositions
- Cope with loss on retirement of noncurrent assets
- Cope with dilution of dividend per unit
- Cope with inconsistency between tax and accounting treatments (Amortization of fixed-term leasehold of land, amortization of asset retirement obligations, etc.)
- Cope with suspension of sales and such due to large-scale renovation works with significant impact on revenues

<Amount used in FY12/2021>

| | |
|---|-----------------|
| 50-year amortization amount on negative goodwill : | JPY262MM |
| Cope with loss on retirement of noncurrent assets : | JPY16MM |
| Amortization of trademark rights : | JPY56MM |
| Total amount : | JPY335MM |

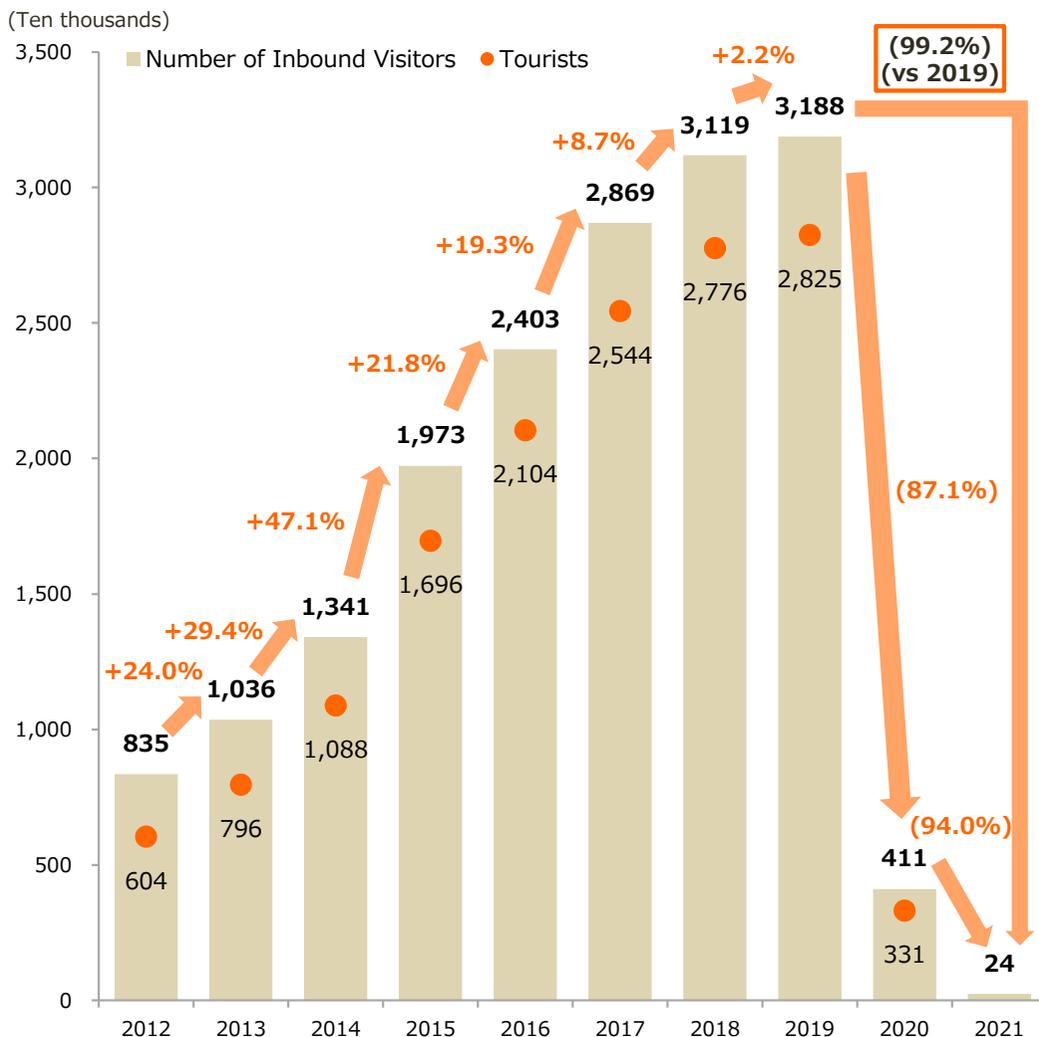
| | |
|--|-------------------|
| Balance of Negative Goodwill after the end of December 2021 | JPY9,976MM |
|--|-------------------|

V . Market Environment

1. Market Environment (1)

- ◆ Restrictions continued on international travel due to entry restriction caused by COVID-19

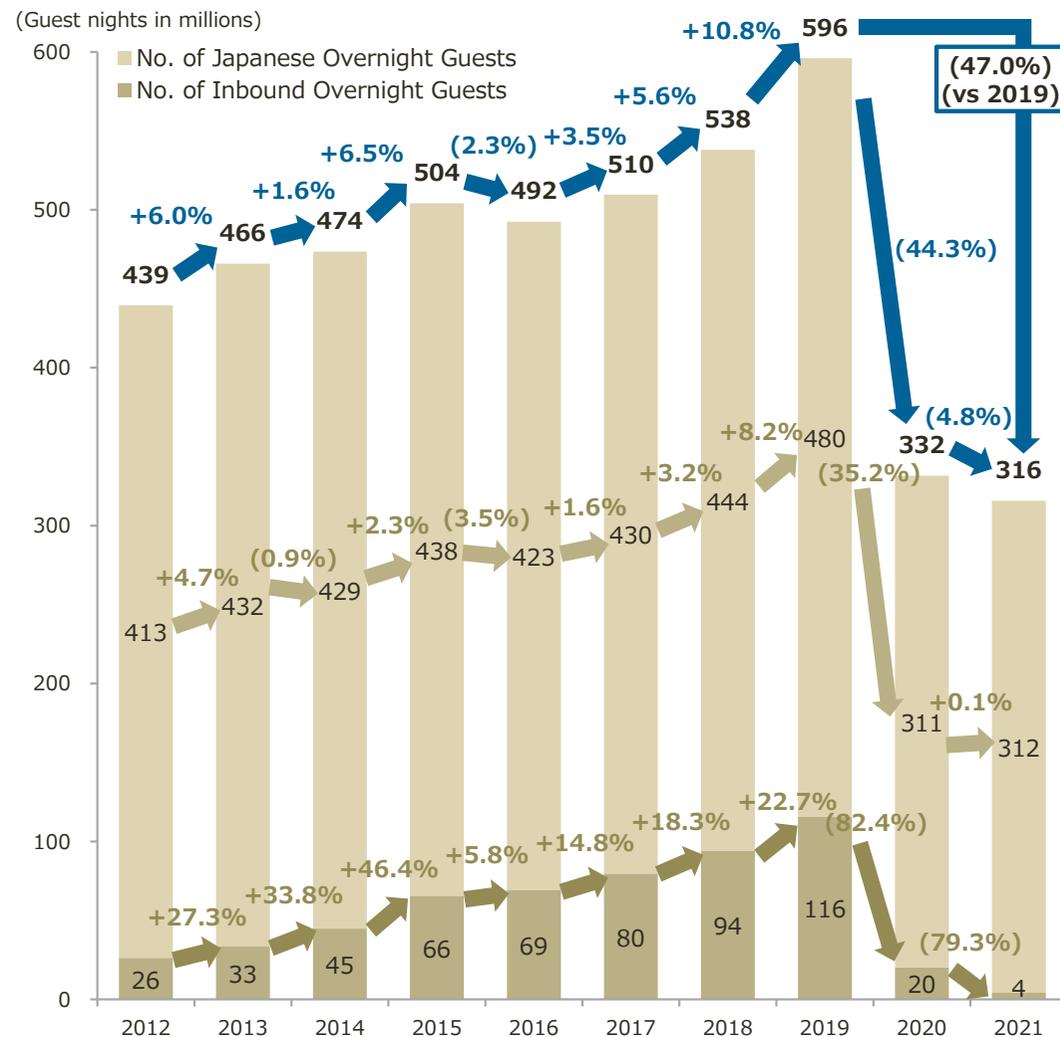
Changes in Number of Inbound Visitors



Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)
 (*) The numbers for Jan.-Nov. 2021 are provisional numbers, and December 2021 are estimated numbers.

- ◆ The number of total overnight guests in 2021 decreased by 47.0% against 2019 (total number of inbound guests decreased by 96.4%)

Changes in Number of Overnight Guests in Japan



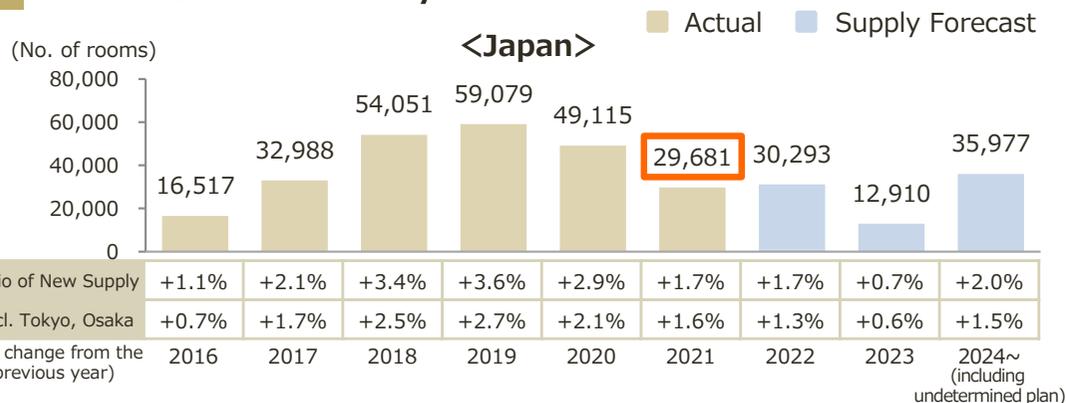
Source: Statistics of Overnight Travel by Japan Tourism Agency
 (*) Rounded off to the nearest millions of people.
 Numbers for January to November 2021 are second preliminary figure, numbers for December 2021 are first preliminary figure. The annual revised report, which reflects newly opened hotels in 2020, etc. is scheduled to be released on June 30, 2021.

1. Market Environment (2)

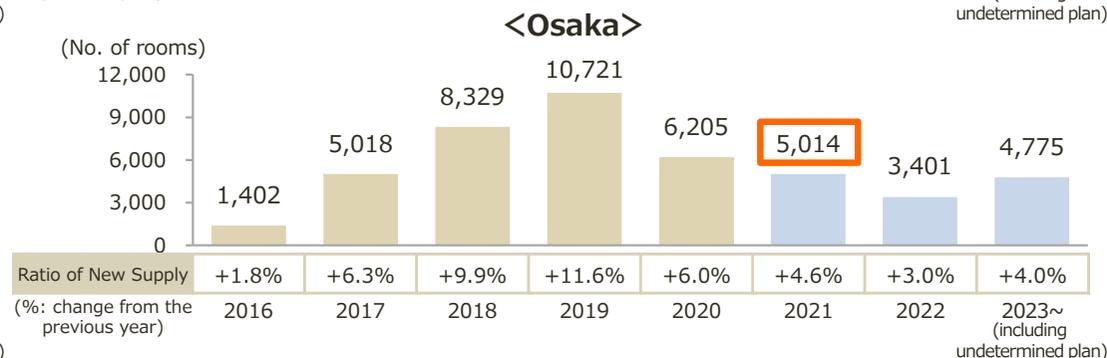
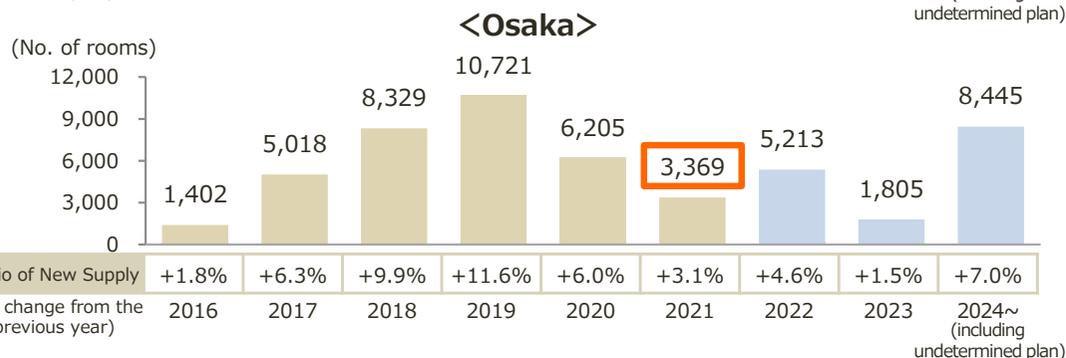
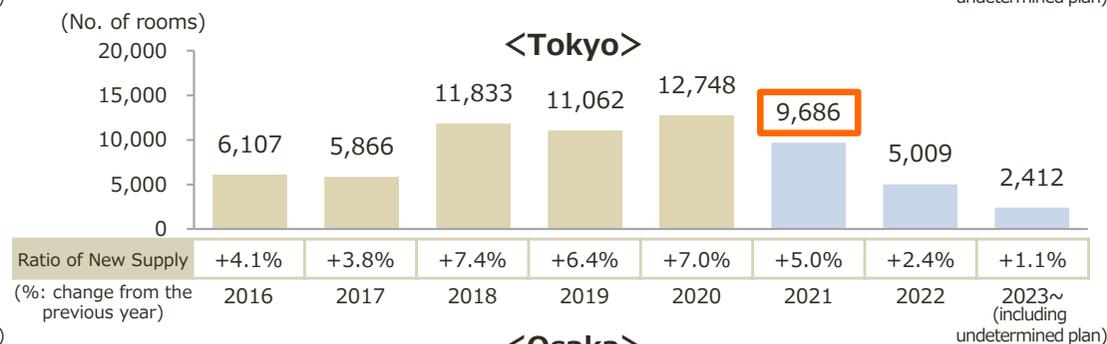
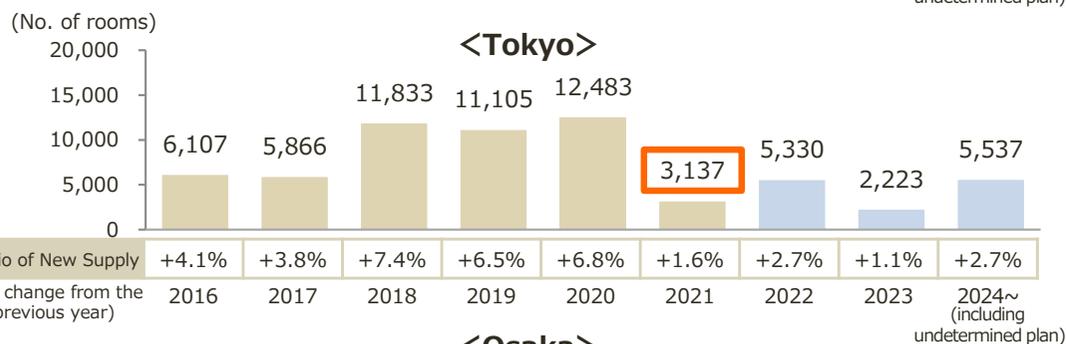
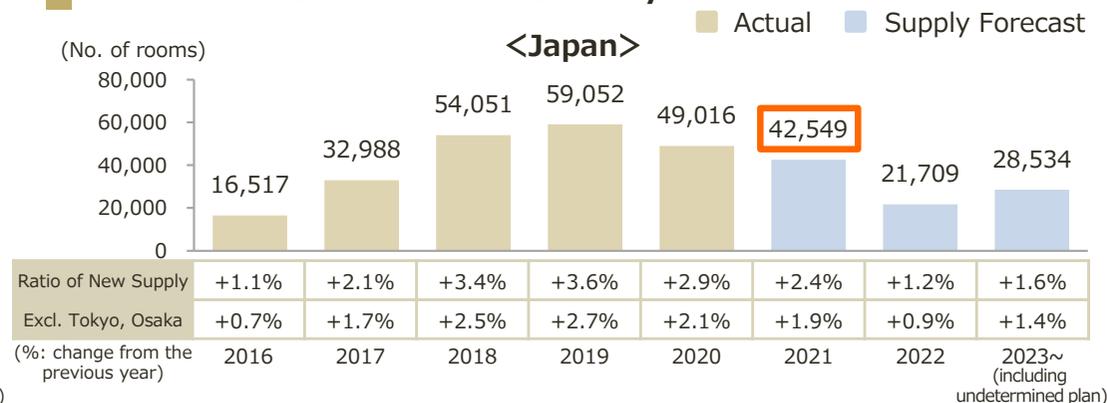
◆ New supply in 2021 decreased by more than 10,000 rooms compared to the forecast of a year ago. As in 2020, the pace of new supply is declining

Supply of Rooms in Hotels/Ryokans in Japan

As of the end of January 2022



Reference: as of the end of January 2021(*2)



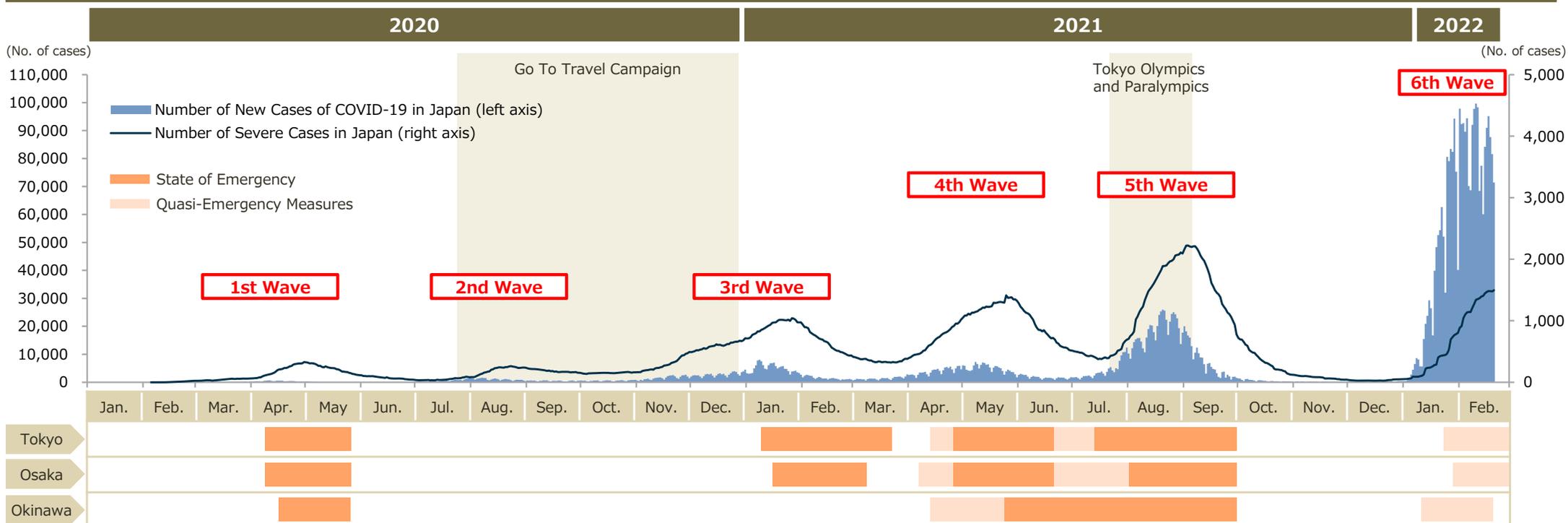
Source: Estimated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.

(*1) Ratio of new supply is the ratio of new rooms to be supplied in a year to the stock of rooms at the beginning of the year. With regard to the above data, please note that in case the number of rooms are stated as "to be determined" by hotels, the asset management company has used 180, the average number of new supply of hotel rooms, for calculation.

(*2) The figures were announced in the Financial Results Briefing for the fiscal year ended December 2020.

1. Market Environment (3)

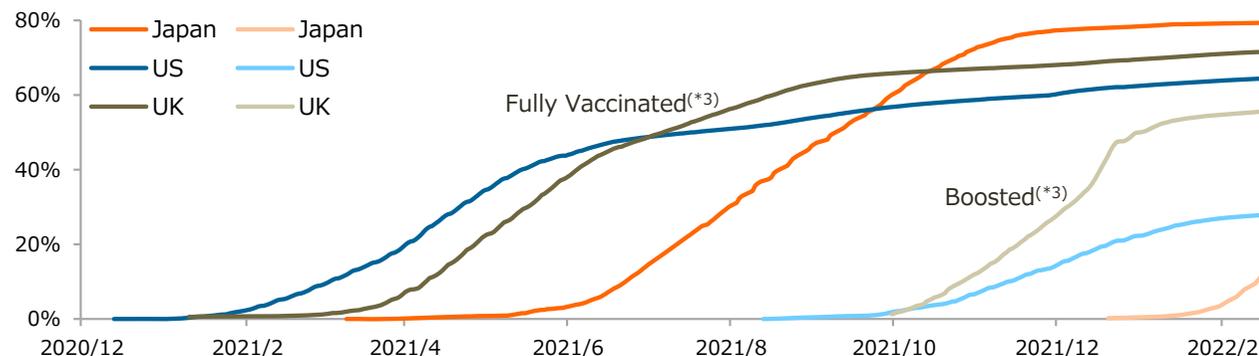
Number of New Cases of Infection by COVID-19 in Japan and Events in the World and Japan



Major Trend of Restriction/Ease on Entry to Japan^(*1)

| | | |
|------|------|--|
| 2020 | Jan. | Chinese government froze group tours abroad |
| | Mar. | 1/3 of the areas in the world was assigned as areas to deny entry |
| | Jul. | Initiatives of Business track and Residence track ^(*2) began |
| | Oct. | Areas subject to new entry permit and status of residence by foreigner were significantly expanded |
| 2021 | Dec. | New entry of foreigners from all over the world was suspended in principle |
| | Jan. | Operations of Business track and Residence track was suspended |
| 2021 | Nov. | Restrictions of new entry from overseas was relaxed |
| | | First case of infection by Omicron variant was found in Japan and new entry from all over the world was suspended in principle for border control measures |

Percentage of Vaccination (Japan/US/UK)



Source: "Coronavirus disease" Ministry of Health, Labour and Welfare, and One World in Data (https://ourworldindata.org/covid-vaccinations?country=OWID_WRL)

(*1) Based on press releases by the government, the media, and other organizations.

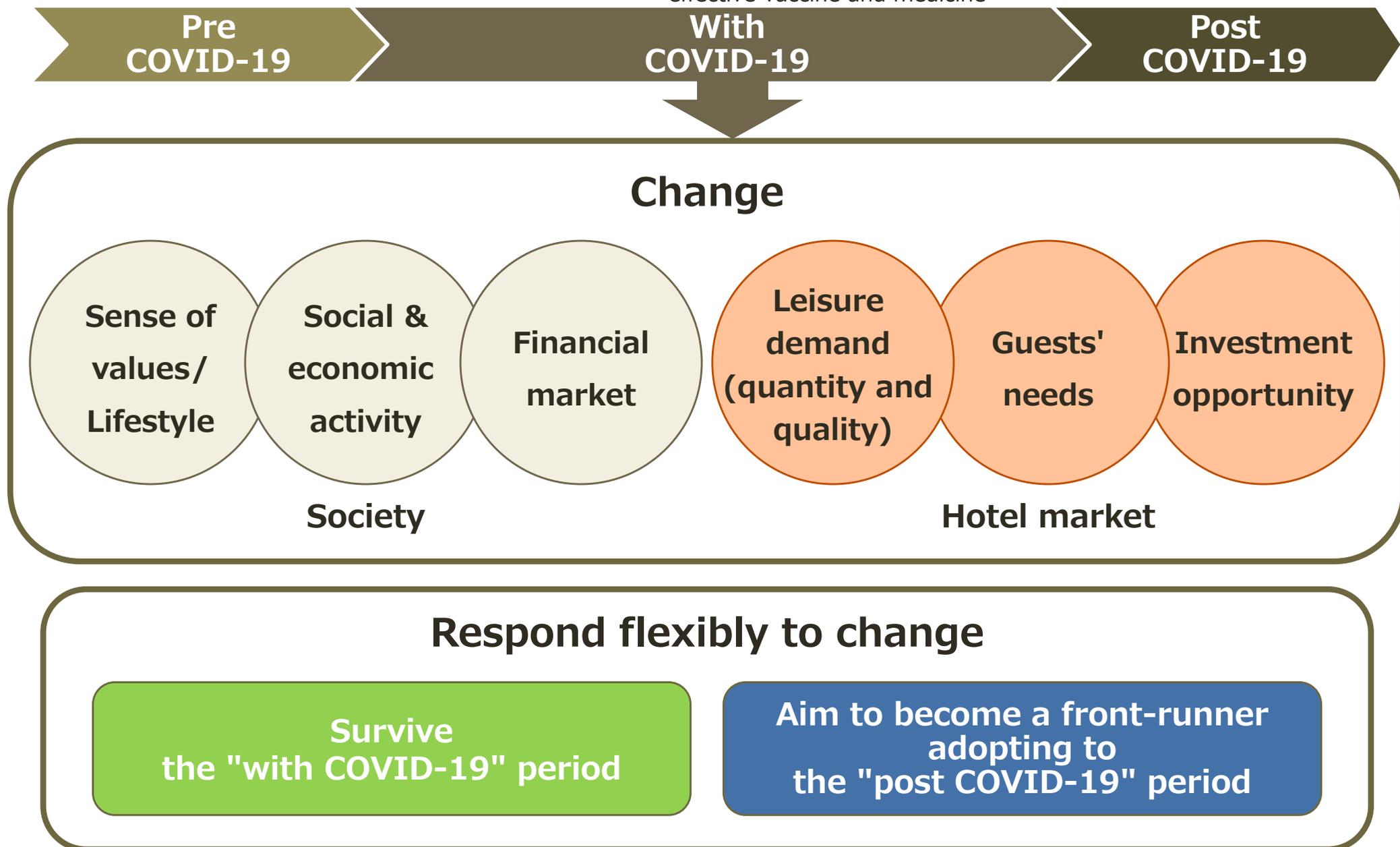
(*2) Initiatives to set special quota for travelers with needs in business on entry into and departure from Japan. While maintaining the current border control measures, additional quarantine measures were adopted. Required measures include testing for COVID-19 upon arrival at the airport (for travelers from country or area that prohibited to enter), prohibition to use public transportation and requirement to stay at home (or at location designated by the Chief of the Quarantine Station) for 14 days, proof of test before entrance and maintaining location data for 14 days after entering to Japan.

(*3) "Fully Vaccinated" indicates the percentage of the persons who received vaccination for a required number of times against total population. And "Boosted" indicates those who received additional vaccination as well.

VI. Takeaways

1. Takeaways

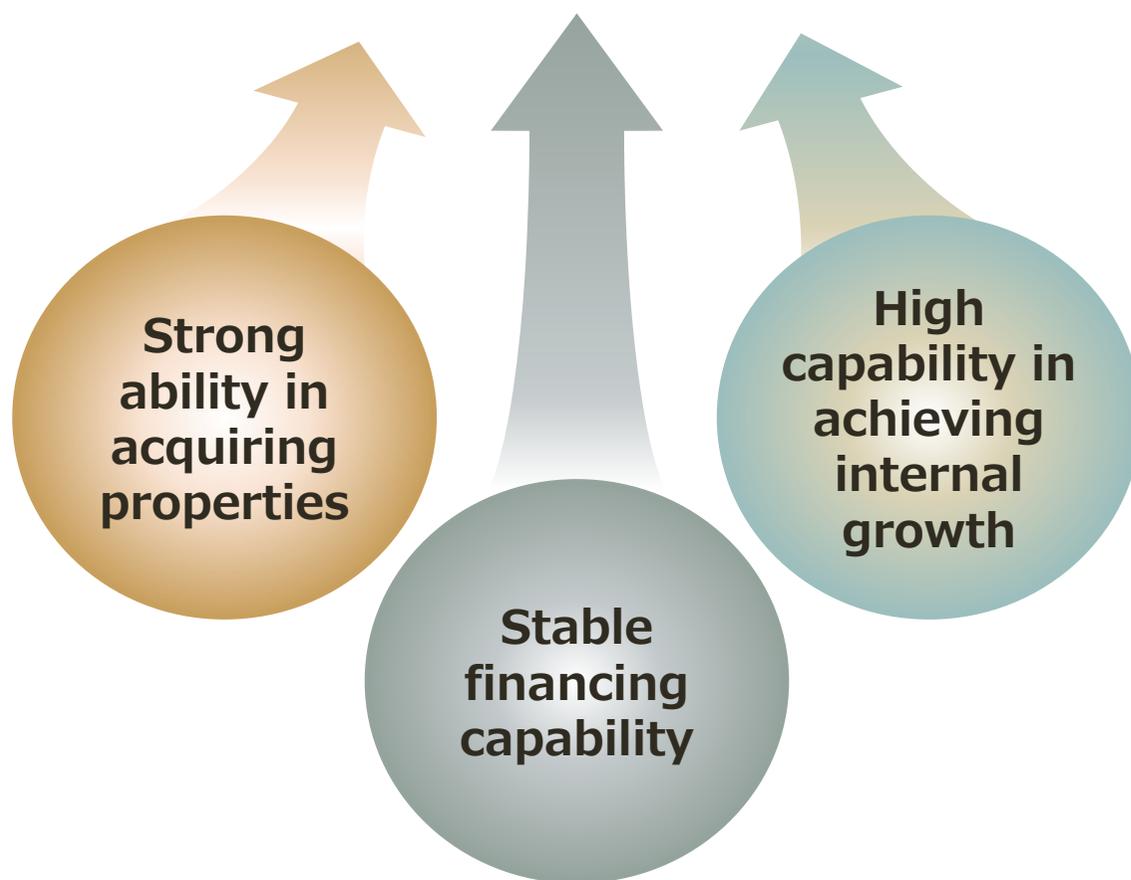
- Development and distribution of effective vaccine and medicine



Appendix 1
JHR's Characteristics and Strategy

1. JHR's Investment Targets

Aim to increase dividend for mid to long term



Strong ability in acquiring properties

- Highly recognized as Japan's largest J-REIT specializing in hotels
- High presence and credibility in the property market by continuously acquiring properties
- Capability to propose various acquisition schemes and to execute acquisitions

High capability in achieving internal growth

- Management approach through active asset management strategies that achieves a good balance between stability and upside potential
- Increase in hotel revenue through collaboration with high-quality operators
- Attract inbound demand through enhanced international brand portfolio
- Strengthen and maintain competitiveness by investing in appropriate capital expenditures

Stable financing capability

- Secure sound and stable finance
- Diversify financing methods

2. Simultaneous Pursuit of Stability and Upside Potential

◆ JHR pursues both stability and upside potential by steadily implementing growth strategies

Ensure Stable Revenue

Fixed rent structure

- ◆ Appropriate monitoring of hotel operation
- ◆ Capital expenditures to maintain competitiveness and asset value

Maintain and improve rent-paying capacity of tenants, etc.

Pursue Upside

Management contract structure

Variable rent structure

Revenue sharing structure

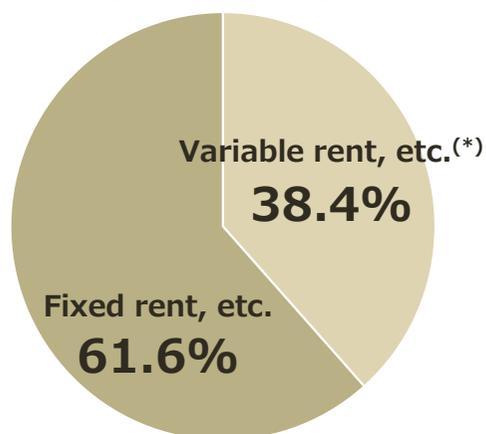
Active Asset Management Strategies

- ◆ Change in rent structures and rebranding
- ◆ Strategic capital expenditures, etc.

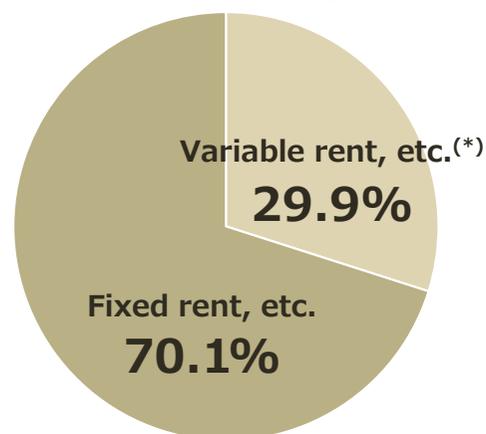
Increase in rental income, etc. through improvement in hotels' performance

Proportion of Rental Income

2019 Results
(annualized)



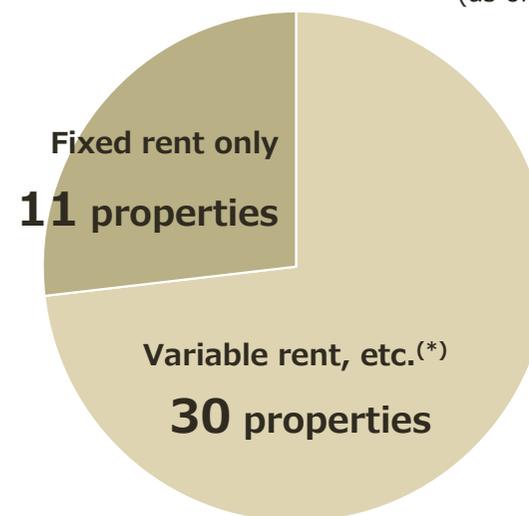
2021 Results
(annualized)



(*) Variable rent, Rent from revenue sharing and Income from management contracts

Proportion of Rent Structures

(as of February 25, 2022)



(*) Fixed rent + variable rent structure, Fixed rent + revenue sharing structure, Variable rent structure and management contract structure

3. External Growth Strategy

Recognition of External Environment

Trend of the Hotel Investment Market

- Due to the unfinished infection by COVID-19, self-restraint of economic activity and economic downturn has been continuing. Such situation led to lengthening stagnation of hotel revenue and causing events such as a request by tenant to reduce rent or cancel the contracts and uncertainty on credit of hotel operators. The hotel market has been continuing to face challenging management environment.
- In the short term, both sellers and buyers are watching market calmly due to the uncertainty about the market conditions and cautious attitude by financial institutions to provide loan and thus, hotel transaction market is stagnant. On the other hand, some transactions are taking place by business corporation to make asset off from its balance sheet. There is possibility that similar transaction to increase.
- For medium to long term, demand for domestic and overseas accommodations is expected to recover as a result of promotion of vaccination and development of effective therapeutic drugs for COVID-19. As the market recovers, the hotel investment may be revitalized again. However, the competitiveness of hotels is becoming more evident in accordance with the hotel specifications, locations, and the abilities of hotel operators, and it is important to differentiate each hotel.

Basic Policies

- Acquire highly competitive hotel real estate, etc. in areas that have potential to attract "demand by both domestic and inbound leisure customers" in the medium to long-term
- Improve profitability, stability, and quality of the overall portfolio



Key Measures

- Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estate, etc.
 - The prime investment targets are "full-service hotels" and "resort hotels" that have high barriers to entry due to operation and management know-how, capital outlay and locations
 - In the case of "limited-service hotels," the creditworthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important
 - For limited-service hotels specialized in selling single rooms, consider acquisition individually, taking into account the hotel specifications and the possibility of achieving the upside
 - Especially, proactively review the purchase of hotels that have potential for internal growth by implementing active asset management strategy or hotels that synergy effect are expected with the existing properties
- Strategic investment areas
 - Hokkaido area, Tokyo and bay area, Osaka/Kyoto area, Fukuoka area, and Okinawa area
- Investigation and planning of the internal growth strategy upon property acquisition
 - Investigate the appropriate rent level and rent structure upon renewal, etc., cost reduction possibilities, and possibilities to improve buildings and facilities
 - Particularly, if the hotel pays variable rent, etc., promote internal growth through collaboration with lessees and/or operators
- Use HMJ's efficient hotel operation platform, etc. to respond to new investment opportunities (such as sales of hotels without operators, etc.) caused by the impact of COVID-19

4. Internal Growth Strategy

Recognition of External Environment

Hotel Market Environment

- The impact of COVID-19 on inbound and domestic demand is continuing and the Japanese tourism and hotel industries remain stagnant. On the other hand, the hotel market is expected to gradually recover due to the promotion of vaccination and the development of therapeutic drugs, as well as the support through measures to promote tourism by the national and local governments.
- Although there are supply-demand imbalances depending on the market due to the continued supply of new hotels against the backdrop of robust hotel demand in recent years, we believe there are no changes to the medium to long term trend of expansion in the tourism market accompanying economic growth in the Asia region.
- As hotel operators are exposed to severe market conditions, they are required to respond flexibly to changes, such as to switching to aggressive strategy that captures the momentum for recovery while continuing a defensive strategy to maintain soundness of management.

Basic Policies

- Pursue both stability and upside potential by steadily implementing active asset management strategies



Key Measures

- Planning and execution of the active asset management in order to realize pursuit in upside revenue
 - Make strategic CAPEX which will improve profitability and strengthen competitiveness mainly at hotels with high growth potential
 - Raise rent and change to rent structures that can achieve upside revenue
 - Reduction of management contract fee of properties under management contract
 - Increase hotel revenue through collaboration with high-quality operators
 - Attract inbound demand through rebranding to international brands
 - Make proactive proposals to build effective hotel operating structures which aim to maximize GOP, from the perspective of both hotel sales and expenses
 - Stimulate and capture domestic demand by creating products utilizing the characteristics of each hotel in line with the current market environment
- Planning and execution of strategic CAPEX which secure steady revenue, and monitoring of lessees
 - Analyze the creditworthiness of hotel lessees, understand hotel income and expenditures, closely observe and improve rent-paying capacity
 - Maintain and improve rent-paying capacity of tenants, etc. through capital expenditures, which lead to maintain and improve competitiveness and asset value

5. Financial Strategy

Recognition of External Environment

Trend of Financing Environment and Interest Rates

- The TSE REIT index increased 15.8% due to large-scale monetary easing and expectation for economic recovery after COVID-19 pandemic, etc. Although the number of public offering of J-REITs in 2021 increased compared with 2020 due to strong unit prices, the procured amount by offering in total decreased from 2020.
- There has been no change in supportive attitude by financial institutions under the prolonged impact by COVID-19. For some sectors including hotels, financial institutions continuously expressed cautious stance to provide long-term loan but upward pressure on interest rates was reduced.
- Both short-term and long-term interest rates remain at low levels due to the monetary easing policy.

Basic Policies

- Ensure healthy and stable finance
- Strengthen lender formation and relationships with financial institutions
- Diversify financing methods



Key Measures

- Secure the internal reserve and further strengthen the financial base by controlling capital expenditures, etc.
- Maintain good relationship with financial institutions
- Maintain LTV level at a maximum of 50% (total asset base) for the time being
- Diversify financing methods such as public offerings and issuance of investment corporation bonds
- Improve financial stability by diversifying repayment periods and fixing interest rates, etc. as necessary
- Optimize borrowing costs

6. Benefits Program for Unitholders

JHR implemented benefits program for unitholders to obtain a better understanding, improve their satisfaction and expand the investor base

◆ **Eligible recipients of complimentary coupons**

Complimentary coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the midterm settlement)

<FY2021>

Eligible unitholders: 13,175

Valid period: One year between October 1, 2021 to September 30, 2022

◆ **Details of the benefits program**

Five complimentary coupons for accommodations and five complimentary coupons for restaurants^(*)

10% discount from the best rate for accommodation by each hotel and 10% discount for restaurants

(*) Complimentary coupons for restaurants are only available at selected hotels.

Hotels that offer the Benefits Program (21 Hotels)

The HMJ Group Hotels



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



Oriental Hotel Hiroshima



Hotel Nikko Alivila



Oriental Hotel Okinawa Resort & Spa



ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)



Oriental Hotel Fukuoka Hakata Station



Holiday Inn Osaka Namba



Hilton Tokyo Narita Airport



International Garden Hotel Narita

Newly Added



Hotel Nikko Nara



Hilton Tokyo Odaiba



Hotel Oriental Express Osaka Shinsaibashi



Oriental Hotel Universal City



Hotel Oriental Express Fukuoka Tenjin

The Accor Group Hotels



Mercure Sapporo



ibis Styles Sapporo



Mercure Okinawa Naha



ibis Styles Kyoto Station



Mercure Yokosuka

Appendix 2
Information on Properties

1. Portfolio

- ◆ Portfolio consisting of competitive hotels in areas with strong leisure lodging demand
- ◆ Selectively invest in locations with high growth potential of leisure demand such as Strategic Investment Areas

Portfolio Summary

(as of the end of December 2021)

Total Assets^(*1)

JPY363.5Bn

No. of Hotels

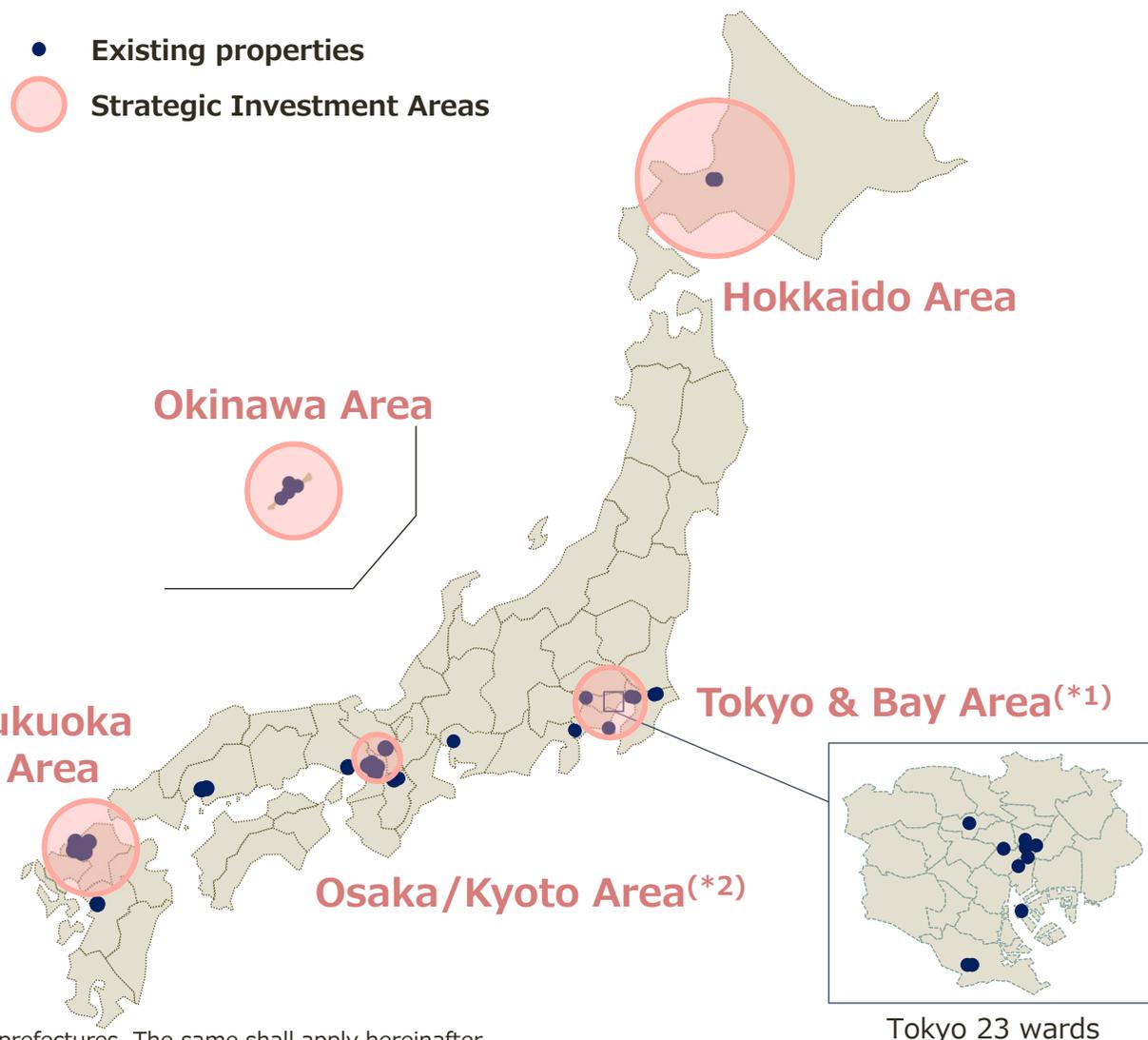
41 Hotels

(32 in Strategic Investment Areas)

No. of Guest Rooms

11,279 Rooms

Strategic Investment Areas and Locations of Properties



(*1) Bay Area includes the coastal area of Tokyo Bay in Kanagawa and Chiba prefectures. The same shall apply hereinafter.

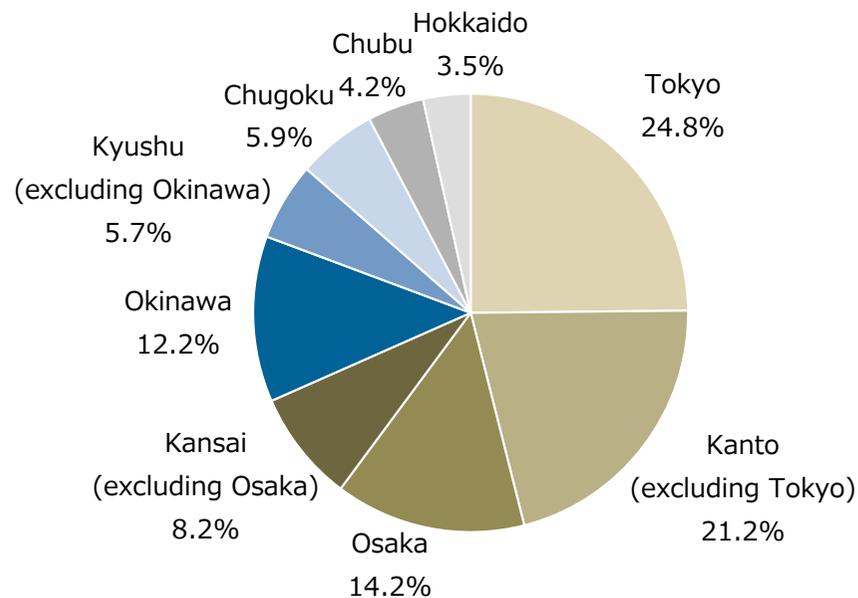
(*2) Osaka/Kyoto Area refers to Osaka and Kyoto prefectures. The same shall apply hereinafter.

2. Portfolio Diversification

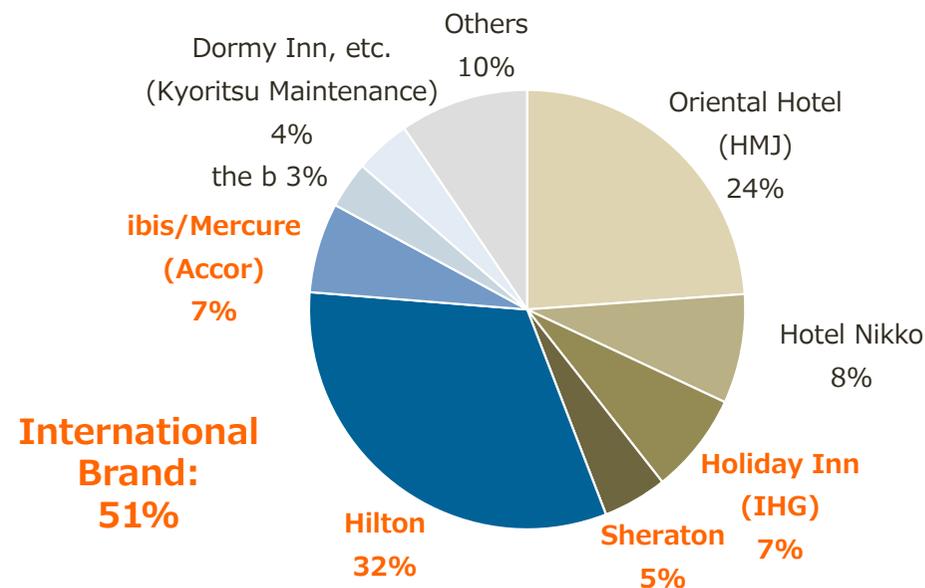
- ◆ Widely diversified and high-quality portfolio
- ◆ Appeal to inbound visitors by international brands

(as of February 25, 2022)

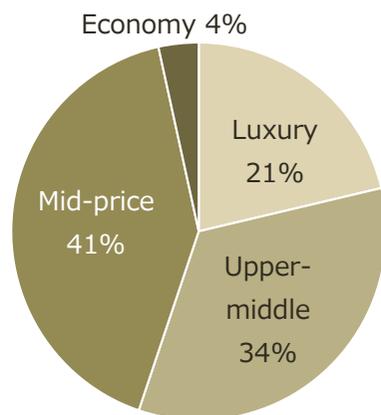
By Area and Rent



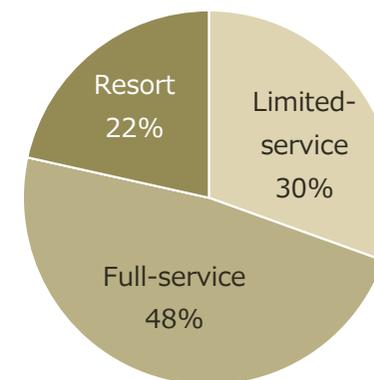
By Hotel Brand



By Grade



By Hotel Type



(*) Calculated based on acquisition price as of end of December 2021.

3. Rent Structures



(FY12/2021)

| Rent Structure ^(*1) | | Fixed rent | Fixed rent + Revenue sharing | Fixed rent + Variable rent | Variable rent | Management contract | Total |
|---|--------------------------------------|---|--|---|---|---|-----------------------|
| Type of Contract | | Lease contract | Lease contract | Lease contract | Lease contract | Management contract | |
| Type of Rent | Fixed | ○ | ○ | ○ | - | - | - |
| | Variable | - | A certain percentage of sales exceeding the threshold | A certain percentage of hotel GOP | A certain percentage of hotel revenue or hotel GOP | Hotel GOP | - |
| Real Estate Operating Revenue ^(*2) (%) | | JPY2,343MM (23.0%) | JPY2,385MM (23.4%) | JPY4,197MM (41.2%) | JPY1,040MM (10.2%) | JPY218MM (2.1%) | JPY10,184MM (100.0%) |
| (breakdown) | Fixed Rent, etc. ^(*3) (%) | JPY2,343MM (23.0%) | JPY2,385MM (23.4%) | JPY1,776MM (17.4%) | JPY406MM (4.0%) | JPY218MM (2.1%) | JPY7,130MM (70.0%) |
| | Variable Rent (%) | - | - | JPY2,421MM (23.8%) | JPY633MM (6.2%) | - | JPY3,054MM (30.0%) |
| Involvement in Hotel Operation | | Low | Low | High | High | High | - |
| CAPEX Paid by JHR | | 1) Renewal of building and facilities | 1) Renewal of building and facilities <3) Strategic investment> | 1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment | 1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment | 1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment | - |
| No. of Properties | | 10 | 3 | 20 | 4 | 4 | 41 |
| Acquisition Price (%) | | JPY32,375MM (8.9%) | JPY31,904MM (8.8%) | JPY257,630MM (70.9%) | JPY19,235MM (5.3%) | JPY22,397MM (6.2%) | JPY363,542MM (100.0%) |
| Hotels | | The Beach Tower Okinawa Hotel Francs CANDEO HOTELS UENO-KOEN and other hotels | Hilton Tokyo Bay Smile Hotel Nihombashi Mitsukoshimae Comfort Hotel Tokyo Higashi Nihombashi | The HMJ Group Hotels ^(*4) The Ishin Group Hotels Oriental Hotel Universal City Hotel Oriental Express Fukuoka Tenjin | Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata | ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha | - |

(*1) Rent structure is categorized according to the rent contract for hotels of each asset owned by JHR.

(*2) Based on the annualized real estate operating revenue for FY12/2021. Revenue arise from trademark rights are excluded.

(*3) Fixed rent includes fixed rent and utility income based on rent contract of non-hotel portion (offices, signage, car parks, retail shops, etc.) of asset owned by JHR.

(*4) During February 2020 through December 2022, The HMJ Group Hotels adopting full variable rent structure.

4. Property List (1/2)

(as of the end of December 2021)

| No. | Property Name | Hotel Type (*1) | Grade (*2) | No. of Guest Rooms | Location | Age (*3) | Acquisition Price (JPY MM) (*4) | Book Value (JPY MM) (*5) | Appraisal Value | | | | Investment Ratio (*6) | Revenue from Real Estate Operation (JPY1,000) (*7) | NOI (JPY1,000) (*7) | P/L from Real Estate Operation (JPY1,000) (*7) | NOI Yield (actual) (*8) |
|-----|--|-----------------|--------------|--------------------|-----------|----------|---------------------------------|--------------------------|-----------------------------------|----------|---------------------------------------|----------|-----------------------|--|---------------------|--|-------------------------|
| | | | | | | | | | 22nd Period (as of June 30, 2020) | | 22nd Period (as of December 31, 2020) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY MM) | CAP Rate | Appraisal Value (JPY MM) | CAP Rate | | | | | |
| 1 | Kobe Meriken Park Oriental Hotel | Full-service | Upper-middle | 323 | Hyogo | 26.5 | 10,900 | 9,541 | 14,000 | 4.8% | 14,000 | 4.8% | 3.0% | 36,169 | (212,487) | (512,615) | (1.9%) |
| 2 | Oriental Hotel tokyo bay | Full-service | Mid-price | 511 | Chiba | 26.7 | 19,900 | 17,106 | 32,200 | 4.4% | 32,200 | 4.4% | 5.5% | - | (117,418) | (472,614) | (0.6%) |
| 3 | Namba Oriental Hotel | Limited-service | Mid-price | 258 | Osaka | 25.8 | 15,000 | 14,427 | 31,400 | 4.1% | 31,400 | 4.1% | 4.1% | 288,185 | 184,123 | 43,891 | 1.2% |
| 4 | Oriental Hotel Hiroshima | Full-service | Upper-middle | 227 | Hiroshima | 28.3 | 4,100 | 4,100 | 4,220 | 4.9% | 4,230 | 4.9% | 1.1% | 297,027 | 253,111 | 165,437 | 6.2% |
| 5 | Hotel Nikko Alivila | Resort | Luxury | 397 | Okinawa | 27.8 | 18,900 | 17,839 | 28,900 | 4.8% | 28,800 | 4.8% | 5.2% | 155,138 | 7,490 | (264,514) | 0.0% |
| 6 | The Beach Tower Okinawa | Resort | Mid-price | 280 | Okinawa | 17.8 | 7,610 | 6,476 | 10,000 | 4.4% | 9,980 | 4.4% | 2.1% | 511,008 | 467,161 | 349,692 | 6.1% |
| 7 | Hakone Setsugetsuka | Resort | Mid-price | 158 | Kanagawa | 15.2 | 4,070 | 3,599 | 5,270 | 4.9% | 5,260 | 4.9% | 1.1% | 294,953 | 268,884 | 172,602 | 6.6% |
| 8 | Dormy Inn Kumamoto | Limited-service | Mid-price | 291 | Kumamoto | 13.9 | 2,334 | 2,203 | 2,950 | 5.6% | 2,950 | 5.6% | 0.6% | 194,460 | 171,797 | 121,524 | 7.4% |
| 9 | the b suidobashi | Limited-service | Mid-price | 99 | Tokyo | 35.4 | 1,120 | 1,187 | 2,280 | 4.1% | 2,280 | 4.1% | 0.3% | 12,999 | 585 | (27,676) | 0.1% |
| 10 | dormy inn·global cabin Asakusa | Limited-service | Economy | 75 | Tokyo | 24.8 | 999 | 930 | 1,280 | 4.0% | 1,300 | 4.0% | 0.3% | 63,995 | 55,241 | 42,852 | 5.5% |
| 11 | Hakata Nakasu Washington Hotel Plaza | Limited-service | Mid-price | 247 | Fukuoka | 26.8 | 2,130 | 2,054 | 4,530 | 4.4% | 4,530 | 4.4% | 0.6% | 240,000 | 225,000 | 198,000 | 10.6% |
| 12 | Nara Washington Hotel Plaza | Limited-service | Mid-price | 204 | Nara | 21.8 | 2,050 | 1,736 | 2,430 | 5.0% | 2,430 | 5.0% | 0.6% | 150,000 | 134,000 | 98,000 | 6.5% |
| 13 | R&B Hotel Ueno-hirokoji | Limited-service | Economy | 187 | Tokyo | 19.7 | 1,720 | 1,794 | 1,900 | 4.0% | 1,900 | 4.0% | 0.5% | 97,291 | 82,942 | 66,201 | 4.8% |
| 14 | Comfort Hotel Tokyo Higashi Nihombashi | Limited-service | Economy | 259 | Tokyo | 13.9 | 3,746 | 3,457 | 5,350 | 4.4% | 5,340 | 4.4% | 1.0% | 271,527 | 240,418 | 203,217 | 6.4% |
| 15 | Smile Hotel Nihombashi Mitsukoshimae | Limited-service | Economy | 164 | Tokyo | 24.8 | 2,108 | 2,028 | 2,930 | 4.1% | 2,930 | 4.1% | 0.6% | 134,400 | 118,183 | 97,657 | 5.6% |
| 16 | Toyoko Inn Hakata-guchi Ekimae | Limited-service | Economy | 257 | Fukuoka | 20.3 | 1,652 | 1,382 | 2,750 | 4.5% | 2,760 | 4.5% | 0.5% | 141,039 | 127,392 | 109,185 | 7.7% |
| 17 | Oriental Hotel Universal City (*9) | Resort | Mid-price | 330 | Osaka | 20.5 | 6,753 | 7,292 | 15,400 | 5.0% | 16,700 | 4.9% | 1.9% | 470,935 | 383,666 | 214,763 | 5.7% |
| 18 | Chisun Inn Kamata | Limited-service | Economy | 70 | Tokyo | 18.7 | 823 | 782 | 1,370 | 4.6% | 1,370 | 4.6% | 0.2% | 2,067 | (4,949) | (16,855) | (0.6%) |
| 19 | Chisun Hotel Kamata (*10) | Limited-service | Economy | 105 | Tokyo | 29.9 | 1,512 | 1,467 | 2,020 | 4.8% | 2,020 | 4.8% | 0.4% | 15,471 | 895 | (31,289) | 0.1% |
| 20 | Hilton Tokyo Bay | Resort | Luxury | 828 | Chiba | 33.5 | 26,050 | 26,169 | 40,300 | 4.3% | 40,300 | 4.3% | 7.2% | 1,979,352 | 1,698,065 | 1,510,545 | 6.5% |
| 21 | ibis Styles Kyoto Station | Limited-service | Mid-price | 215 | Kyoto | 12.8 | 6,600 | 6,615 | 9,990 | 4.3% | 9,990 | 4.3% | 1.8% | 46,354 | (12,216) | (48,799) | (0.2%) |
| 22 | ibis Styles Sapporo | Limited-service | Mid-price | 278 | Hokkaido | 11.4 | 6,797 | 6,463 | 11,100 | 4.7% | 11,100 | 4.7% | 1.9% | 55,899 | (29,526) | (112,230) | (0.4%) |
| 23 | Mercure Sapporo | Limited-service | Mid-price | 285 | Hokkaido | 12.7 | 6,000 | 5,726 | 10,500 | 4.7% | 10,500 | 4.7% | 1.7% | 115,880 | (75,091) | (166,345) | (1.3%) |
| 24 | Mercure Okinawa Naha | Limited-service | Mid-price | 260 | Okinawa | 12.4 | 3,000 | 2,821 | 6,950 | 4.7% | 6,950 | 4.7% | 0.8% | - | (62,176) | (127,978) | (2.1%) |

4. Property List (2/2)

(as of the end of December 2021)

| No. | Property Name | Hotel Type (*1) | Grade (*2) | No. of Guest Rooms | Location | Age (*3) | Acquisition Price (JPY MM) (*4) | Book Value (JPY MM) (*5) | Appraisal Value | | | | Investment Ratio (*6) | Revenue from Real Estate Operation (JPY1,000) (*7) | NOI (JPY1,000) (*7) | P/L from Real Estate Operation (JPY1,000) (*7) | NOI Yield (actual) (*8) |
|-------------------------|--|-----------------|--------------|--------------------|-----------|-------------|---------------------------------|--------------------------|-----------------------------------|----------|---------------------------------------|----------|-----------------------|--|---------------------|--|-------------------------|
| | | | | | | | | | 22nd Period (as of June 30, 2020) | | 22nd Period (as of December 31, 2020) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY MM) | CAP Rate | Appraisal Value (JPY MM) | CAP Rate | | | | | |
| 25 | the b ikebukuro | Limited-service | Mid-price | 175 | Tokyo | 39.5 | 6,520 | 6,579 | 7,020 | 4.2% | 7,230 | 4.2% | 1.8% | 404,891 | 376,668 | 346,941 | 5.8% |
| 26 | the b hachioji | Limited-service | Mid-price | 196 | Tokyo | 35.4 | 2,610 | 2,702 | 2,570 | 5.1% | 2,570 | 5.1% | 0.7% | 45,076 | 20,002 | (15,671) | 0.8% |
| 27 | the b hakata | Limited-service | Mid-price | 175 | Fukuoka | 24.3 | 2,300 | 2,362 | 4,330 | 4.3% | 4,340 | 4.3% | 0.6% | 35,522 | 22,764 | 43 | 1.0% |
| 28 | Hotel Francs | Full-service | Mid-price | 222 | Chiba | 30.4 | 3,105 | 3,141 | 4,040 | 4.7% | 4,040 | 4.7% | 0.9% | 300,000 | 238,760 | 193,570 | 7.7% |
| 29 | Mercure Yokosuka | Full-service | Mid-price | 160 | Kanagawa | 28.2 | 1,650 | 1,627 | 3,340 | 4.6% | 3,360 | 4.6% | 0.5% | 242,325 | 148,326 | 110,466 | 9.0% |
| 30 | Oriental Hotel Okinawa Resort & Spa (*11) | Resort | Upper-middle | 361 | Okinawa | 16.9 | 14,950 | 14,728 | 17,200 | 4.9% | 17,300 | 4.9% | 4.1% | - | (95,798) | (371,571) | (0.6%) |
| 31 | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) | Full-service | Luxury | 238 | Hiroshima | 11.3 | 17,320 | 17,153 | 20,700 | 4.6% | 20,700 | 4.6% | 4.8% | 881,883 | 503,832 | 280,434 | 2.9% |
| 32 | CANDEO HOTELS UENO-KOEN | Limited-service | Mid-price | 268 | Tokyo | 12.0 | 6,705 | 6,574 | 7,440 | 4.0% | 7,440 | 4.0% | 1.8% | 349,971 | 323,623 | 283,287 | 4.8% |
| 33 | Oriental Hotel Fukuoka Hakata Station | Full-service | Upper-middle | 221 | Fukuoka | 36.5 | 7,197 | 9,123 | 15,200 | 4.6% | 15,200 | 4.6% | 2.0% | 243,867 | (4,307) | (420,532) | (0.1%) |
| 34 | Holiday Inn Osaka Namba | Limited-service | Mid-price | 314 | Osaka | 13.4 | 27,000 | 26,788 | 26,500 | 4.3% | 26,600 | 4.3% | 7.4% | 71,921 | 23,283 | (138,142) | 0.1% |
| 35 | Hotel Oriental Express Fukuoka Tenjin (*12) | Limited-service | Mid-price | 263 | Fukuoka | 22.7 | 5,248 | 5,828 | 6,480 | 4.8% | 6,520 | 4.8% | 1.4% | 405,369 | 298,308 | 220,739 | 5.7% |
| 36 | Hilton Nagoya | Full-service | Luxury | 460 | Aichi | 32.8 | 15,250 | 15,618 | 14,800 | 4.2% | 14,800 | 4.2% | 4.2% | 780,207 | 193,796 | 17,660 | 1.3% |
| 37 | Hilton Tokyo Narita Airport | Full-service | Upper-middle | 548 | Chiba | 28.4 | 13,175 | 13,252 | 13,600 | 4.6% | 13,600 | 4.6% | 3.6% | 41,475 | (41,239) | (255,199) | (0.3%) |
| 38 | International Garden Hotel Narita | Full-service | Mid-price | 463 | Chiba | 25.6 | 9,125 | 9,124 | 9,520 | 4.8% | 9,520 | 4.8% | 2.5% | 284,359 | 240,177 | 87,894 | 2.6% |
| 39 | Hotel Nikko Nara | Full-service | Upper-middle | 330 | Nara | 23.8 | 10,373 | 10,238 | 9,890 | 4.8% | 9,800 | 4.8% | 2.9% | - | (47,382) | (198,977) | (0.5%) |
| 40 | Hotel Oriental Express Osaka Shinsaibashi | Limited-service | Mid-price | 124 | Osaka | 3.9 | 2,738 | 2,816 | 2,880 | 4.7% | 2,840 | 4.7% | 0.8% | - | (14,004) | (28,513) | (0.5%) |
| 41 | Hilton Tokyo Odaiba | Full-service | Upper-middle | 453 | Tokyo | 26.0 | 62,400 | 63,486 | 68,300 | 3.7% | 68,400 | 3.7% | 17.2% | 522,633 | 194,733 | (96,249) | 0.3% |
| Total or Average | | - | - | 11,279 | - | 23.6 | 363,542 | 358,352 | 483,830 | - | 485,480 | - | 100.0% | 10,184,888 | 6,287,376 | 1,629,329 | 1.8% |

(*1) Under the category of Hotel Type, "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited-service hotel.

(*2) Mainly based on ADR, etc., JHR has classified the hotels into four categories as "luxury," "upper-middle," "mid-price," and "economy."

(*3) Average age: Weighted average calculated as follows. The sum of (acquisition price of each property x property age)/total acquisition price.

(*4) The acquisition price in the Purchase & Sale Agreement for the Beneficial Interest in Trust or real estate is indicated. (Consumption tax, amount equivalent to consumption tax, brokerage fee, and other purchase-related costs are excluded.)

(*5) Book value as of the end of December 2021.

(*6) Investment ratio indicate percentage of the acquisition price of each asset to the total acquisition price. Numbers beyond one decimal place is rounded off.

(*7) Actual for one year from January to December 2021. Since the lessees did not agree to disclose numbers in units of JPY1,000 for No. 11 and 12, amounts are rounded down to the nearest JPY million.

(*8) NOI yield for the portfolio is calculated as follows: Total NOI for FY12/2021 (actual) (6,366,724 thousand yen)/total acquisition price of properties held as of the end of FY12/2021.

(*9) The name has changed from Hotel Keihan Universal City on July 1, 2021.

(*10) The name has changed from Hotel Vista Kamata Tokyo on January 1, 2021.

(*11) The name has changed from Okinawa Marriott Resort & Spa on October 1, 2021.

(*12) The name has changed from HOTEL ASCENT FUKUOKA on June 18, 2021.

(*13) ibis Tokyo Shinjuku was sold on December 15, 2021.

5. Summary of Lease Contracts (1/3)

(as of the end of December 2021)

| No. | Property Name | Lease Type | Rent Structure (*1) | Lessee | Hotel Operator/ Hotel Consulting and Management Company | Lease/ MC Term | Expiration Date of Contract | Contractual Rent (*2) | Rent Modification Summary | Rent Modification Summary (After acquisition) | | Rent Modification Schedule (2022 to 2023) | | | |
|-----|---|-----------------|-------------------------------|----------------------------------|---|----------------------|---|---|---|--|---|--|---|-------------------------|-------------------------|
| | | | | | | | | | | Timing | Condition | 2022 | 2023 | | |
| 1 | Kobe Meriken Park Oriental Hotel | Fixed- lease | Fixed + Variable | Hotel Management Japan Co., Ltd. | Hotel Operator/ Hotel Consulting and Management Company | 15 | Dec. 2034 | [2022] Hotel AGOP x 86% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - | | |
| 2 | Oriental Hotel tokyo bay | | | | | | | [2022] Hotel AGOP x 79% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid | | | | | | | |
| 3 | Namba Oriental Hotel | | | | | | | [2022]Hotel AGOP x 91% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid | | | | | | | |
| 4 | Oriental Hotel Hiroshima | | | | | | | [2022] Hotel AGOP x 89% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid | | | | | | | |
| 5 | Hotel Nikko Alivila | | | | | | | [2022] Hotel AGOP x 74% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid | | | | | | | |
| 6 | The Beach Tower Okinawa | Fixed- lease | Fixed | Kyoritsu Maintenance Co., Ltd. | Hotel Operator/ Hotel Consulting and Management Company | 20 | Jun. 2026 | JPY42MM/month | The same rent will be applied until expiration of the contract. | - | - | - | - | | |
| 7 | Hakone Setsugetsuka | Fixed- lease | Fixed | | | | | 20 | Oct. 2026 | JPY24MM/month | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 8 | Dormy Inn Kumamoto | Fixed- lease | Fixed | | | | | 12 | Mar. 2023 | JPY16MM/month | Rent can be modified through mutual agreement every three years. | Apr. 2020 | Same | - | To be expired (Mar.) |
| 9 | dormy inn-global cabin Asakusa | Lease | Fixed | | | | | 3 | Mar. 2023 | JPY5MM/month | Rent can be modified through mutual agreement every three years. | Apr. 2020 | Same | - | To be expired (Mar.) |
| 10 | Hakata Nakasu Washington Hotel Plaza | Lease | Fixed | | | | | Washington Hotel K.K. | Hotel Operator/ Hotel Consulting and Management Company | 3 | Mar. 2024 | JPY20MM/month | Rent can be modified through mutual agreement. | Apr. 2021 | Same |
| 11 | Nara Washington Hotel Plaza | Lease | Fixed | 3 | Mar. 2023 | JPY11MM/month | Rent can be modified through mutual agreement. | | | | | Mar. 2020 | Same | - | To be expired (Mar.) |
| 12 | R&B Hotel Ueno-hirokoji | Lease | Fixed | 20 | Apr. 2022 | JPY8MM/month | Rent can be modified through mutual agreement. | | | | | Apr. 2011 | Increased (+3.0%) | To be expired (Apr.) | - |
| 13 | Comfort Hotel Tokyo Higashi Nihombashi | Fixed- lease | Fixed + Revenue sharing | Greens Co., Ltd. | Hotel Operator/ Hotel Consulting and Management Company | 20 | Jan. 2028 | JPY21MM/month + Revenue sharing | Rent can be modified through mutual agreement every five years. | Apr. 2018 | Same (Introduced revenue sharing) | - | - | | |
| 14 | Smile Hotel Nihombashi Mitsukoshimae | Lease | Fixed + Revenue sharing | THE KAMOGAWA GRAND HOTEL, LTD. | Hotel Operator/ Hotel Consulting and Management Company | 3 | Mar. 2023 | JPY11MM/month + Revenue sharing | Rent can be modified through mutual agreement. | Mar. 2020 | Same | - | To be expired (Mar.) | | |
| 15 | Toyoko Inn Hakata-guchi Ekimae | Lease | Fixed | Toyoko Inn Co., Ltd. | Hotel Operator/ Hotel Consulting and Management Company | 30 | Sep. 2031 | JPY11MM/month | No rule has been stipulated. | Oct. 2007 | Increased (+9.4%) | - | - | | |

5. Summary of Lease Contracts (2/3)

(as of the end of December 2021)

| No. | Property Name | Lease Type | Rent Structure (*1) | Lessee | Hotel Operator/ Hotel Consulting and Management Company | Lease/ MC Term | Expiration Date of Contract | Contractual Rent (*2) | Rent Modification Summary | Rent Modification Summary (After acquisition) | | Rent Modification Schedule (2022 to 2023) | |
|-----|--|-------------|-------------------------|-----------------------------------|---|----------------------|-----------------------------------|--|---|--|---|--|------------------|
| | | | | | | | | | | Timing | Condition | 2022 | 2023 |
| | | | | | | | | | | 16 | Oriental Hotel Universal City (*4) | Fixed-lease | Fixed + Variable |
| 17 | Chisun Inn Kamata | Fixed-lease | Variable | Solare Hotels & Resorts Co., Ltd. | SHR Hotels, Co., Ltd. | 7 | Dec. 2026 | Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0) | - | Jan. 2020 | Same | - | - |
| 18 | Chisun Hotel Kamata (*5) | Fixed-lease | Variable | | | 5 | Dec. 2025 | Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0) | - | Jan. 2021 | Change in lessee and Modified Structure | - | - |
| 19 | Hilton Tokyo Bay | Fixed-lease | Fixed + Revenue sharing | THE DAI-ICHI BUILDING CO., LTD. | Hilton International Company | 4 | Dec. 2022 | JPY163MM/month + Revenue sharing | Rent can be modified through mutual agreement. | Jan. 2019 | Renewed (Increased) | To be expired (Dec.) | - |
| 20 | ibis Styles Kyoto Station | - | Management contract | - | AAPC Japan K.K. | 12 | Dec. 2024 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 21 | ibis Styles Sapporo | - | Management contract | | | 10 | Dec. 2024 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 22 | Mercure Sapporo | - | Management contract | | | 15 | Sep. 2029 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 23 | Mercure Okinawa Naha | - | Management contract | | | 10 | Apr. 2024 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 24 | Mercure Yokosuka | Fixed-lease | Variable | AAPC Japan K.K. | | 5 | Aug. 2024 | Linked to hotel GOP | The same rent will be applied until expiration of the contract. | Aug. 2019 | Renewed (Increased) | - | - |
| 25 | the b ikebukuro | Fixed-lease | Fixed + Variable | Ishin Ikebukuro Operations K.K. | | 9.5 | Jul. 2024 | [2021]JPY38MM/year + Linked to hotel AGOP [2022]JPY80MM/year + Linked to hotel AGOP | The same rent will be applied until expiration of the contract. | Oct. 2020 | Fixed rent was changed (Reduction) | - | - |
| 26 | the b hachioji | Fixed-lease | Fixed + Variable | Ishin Hachioji Operations, Y.K. | | 9.5 | Jul. 2024 | [2021]JPY21MM/year + Linked to hotel AGOP [2022]JPY45MM/year + Linked to hotel AGOP | The same rent will be applied until expiration of the contract. | Oct. 2020 | Fixed rent was changed (Reduction) | - | - |
| 27 | the b hakata | Fixed-lease | Fixed + Variable | Ishin Hakata Operations K.K. | | 9.5 | Jul. 2024 | [2021]JPY28MM/year + Linked to hotel AGOP [2022]JPY59MM/year + Linked to hotel AGOP | The same rent will be applied until expiration of the contract. | Oct. 2020 | Fixed rent was changed (Reduction) | - | - |
| 28 | the b suidobashi | Fixed-lease | Fixed + Variable | Ishin Suidobashi Operations K.K. | | 5 | Dec. 2026 | [2021]JPY13MM/year + Linked to hotel AGOP [2022]JPY30MM/year + Linked to hotel AGOP | The same rent will be applied until expiration of the contract. | Oct. 2020 | Fixed rent was changed (Reduction) | - | - |
| 29 | Hotel Francs | Fixed-lease | Fixed | K.K. Bridal Produce | | 19 | Oct. 2024 | JPY25MM/month | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 30 | Oriental Hotel Okinawa Resort & Spa (*6) | Fixed-lease | Fixed + Variable | Lagoon resort Nago Co., Ltd. | | 10 | Dec. 2030 | [2022]Hotel AGOP x 89% (If the amount is below JPY0, it will be JPY0) [2023]JPY550MM/year + when Hotel AGOP exceeds JPY655MM, the excess x 95% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |
| 31 | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) | Fixed-lease | Fixed + Variable | K.K. A.I.C Hiroshima Management | Luxury Hotels International of Hong Kong Limited | 11 | Dec. 2026 | [2022]Hotel AGOP x 93% (If the amount is below JPY0, it will be JPY0) [2023]JPY348MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 90% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |

5. Summary of Lease Contracts (3/3)

(as of the end of December 2021)

| No. | Property Name | Lease Type | Rent Structure (*1) | Lessee | Hotel Operator/ Hotel Consulting and Management Company | Lease/ MC Term | Expiration Date of Contract | Contractual Rent (*2) | Rent Modification Summary | Rent Modification Summary (After acquisition) | | Rent Modification Schedule (2022 to 2023) | |
|-----|--|-------------|---------------------|--------------------------------------|---|----------------------|-----------------------------------|--|---|--|--|--|------|
| | | | | | | | | | | Timing | Condition | 2022 | 2023 |
| 32 | CANDEO HOTELS UENO-KOEN | Fixed-lease | Fixed | Candeco Hospitality Management, Inc. | | 20 | Feb. 2030 | Nondisclosure ^(*3) | Rent can be modified through mutual agreement every three years. | Jul. 2016 | Nondisclosure ^(*3) | - | - |
| 33 | Oriental Hotel Fukuoka Hakata Station | Fixed-lease | Fixed + Variable | Hotel Centraza Co., Ltd. | | 15 | Dec. 2034 | [2022]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2023]JPY425MM/year + when Hotel AGOP exceeds JPY442MM, the excess x 98% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |
| 34 | Holiday Inn Osaka Namba | Fixed-lease | Fixed + Variable | OW Hotel Operations KK | | 15 | Oct. 2031 | [2022]Hotel AGOP x 98% (If the amount is below JPY0, it will be JPY0) [2023]JPY576MM/year + when Hotel AGOP exceeds JPY580MM, the excess x 97% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |
| 35 | Hotel Oriental Express Fukuoka Tenjin (*7) | Fixed-lease | Fixed + Variable | K.K Fukuoka Tenjin Operations | | 10.5 | Dec. 2031 | JPY150MM/year + when Hotel AGOP exceeds JPY165MM, the excess x 97% is paid (Fixed rent payments from June 2021 to June 2022 is waived. The starting date for calculation of variable rent is January 1, 2022.) | In principle, the same rent will be applied until expiration of the contract. | Jun. 2021 | Change in lessee and Modified Structure | - | - |
| 36 | Hilton Nagoya | Lease | Variable | Nagoya Hilton Co., Ltd. | Hilton International Company | 41 | Dec. 2029 | Nondisclosure ^(*3) | Rent can be modified through mutual agreement. | - | - | - | - |
| 37 | Hilton Tokyo Narita Airport | Fixed-lease | Fixed + Variable | KK NaritaKosuge Operations | | 20 | Jun. 2037 | [2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY444MM/year + when Hotel AGOP exceeds JPY450MM, the excess x 93% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |
| 38 | International Garden Hotel Narita | Fixed-lease | Fixed + Variable | KK NaritaYoshikura Operations | | 10 | Jun. 2027 | [2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY336MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 98% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |
| 39 | Hotel Nikko Nara | Fixed-lease | Fixed + Variable | Hotel Management Co., Ltd. | Okura Nikko Hotel Management Co., Ltd. | 10 | Dec. 2030 | [2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY420MM/year + when Hotel AGOP exceeds JPY440MM, the excess x 95% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |
| 40 | Hotel Oriental Express Osaka Shinsaibashi | Fixed-lease | Fixed + Variable | K.K. HOTEL ORIENTAL EXPRESS | | 10 | Mar. 2028 | [2022]Hotel AGOP x 87% (If the amount is below JPY0, it will be JPY0) [2023]JPY110.4MM/year + when Hotel AGOP exceeds JPY128MM, the excess x 91% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |
| 41 | Hilton Tokyo Odaiba | Fixed-lease | Fixed + Variable | Tokyo Humania Enterprise Inc. | | 11 | Dec. 2029 | [2022]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2023]JPY1,600MM/year + when Hotel AGOP exceeds JPY1,660MM, the excess x 98% is paid | In principle, the same rent will be applied until expiration of the contract. | Feb. 2022 | Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards) | - | - |

(*1) Rent structure is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed + Variable: Property paying both fixed and variable rent

Fixed + Revenue sharing: When the sales of the hotel exceed pre-determined amount, additional rent is paid

(*2) Amount including car park and CAM without tax.

(*3) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

(*4) As the hotel was rebranded from Hotel Keihan Universal City on July 1, 2021, the conditions of the new contract are stated.

(*5) As the hotel was rebranded from Hotel Vista Kamata Tokyo on January 1, 2021, the conditions of the new contract are stated.

(*6) The name has changed from Okinawa Marriott Resort & Spa on October 1, 2021.

(*7) As the hotel was rebranded from HOTEL ASCENT FUKUOKA on June 18, 2021, the conditions of the new contract are stated.

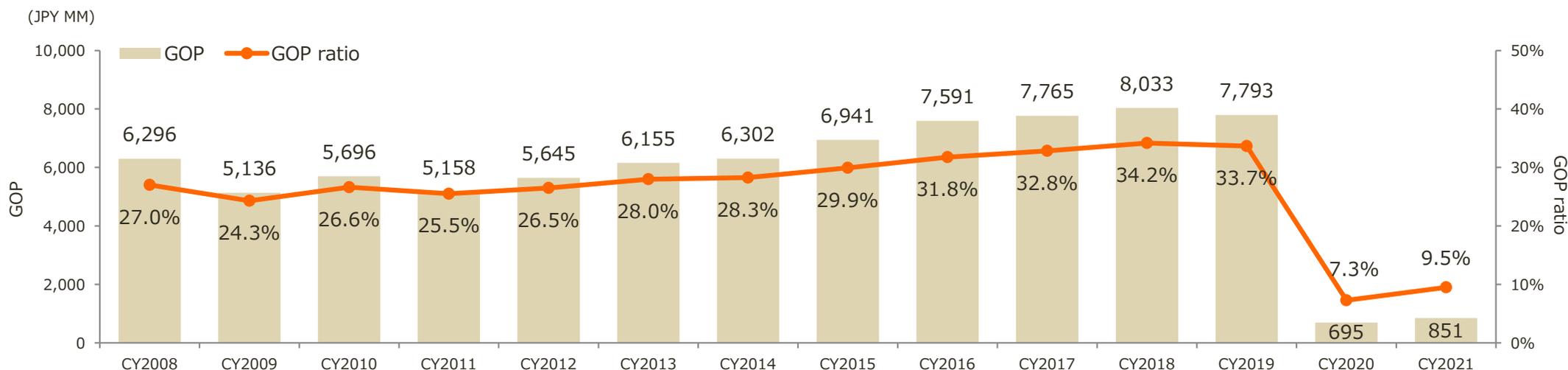
6. Major CAPEX Ⅲ by Hotels

(Numbers in parentheses are CAPEX amounts: JPY MM)

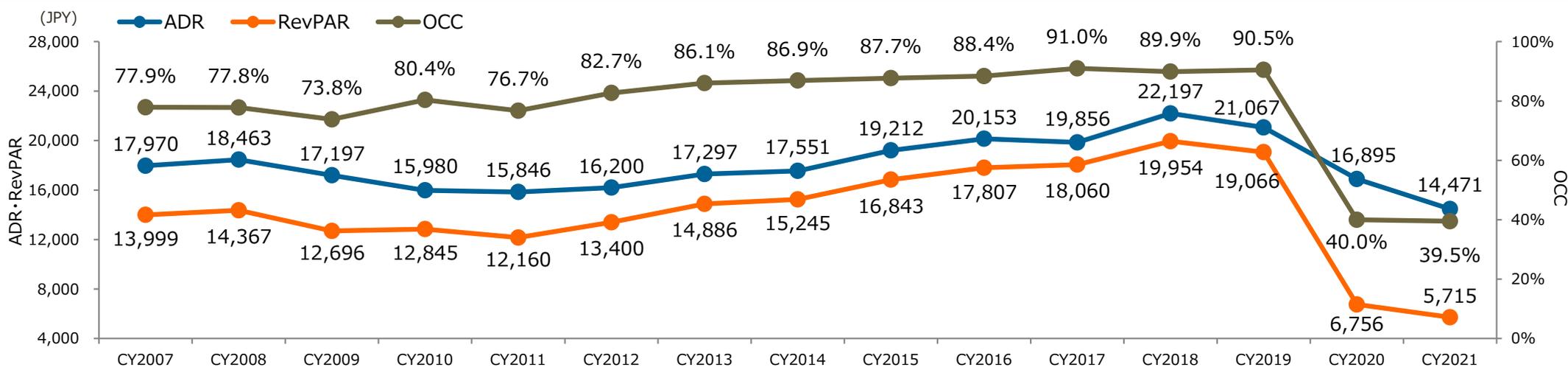
| | FY12/2012 | FY12/2013 | FY12/2014 | FY12/2015 | FY12/2016 | FY12/2017 | FY12/2018 | FY12/2019 | FY12/2020 | FY12/2021 |
|---------------------------------------|-----------|-------------------------------|--|-------------|--|------------------------|--|---|--|-----------|
| Kobe Meriken Park Oriental Hotel | - | - | - | Chapel (36) | Guest rooms on 7F (50) Balconies on each floor (62) Bar (85) | Bridal salon (76) | Private rooms at restaurant and balcony, etc. on 3F (19) | Restaurant (30) Conversion of brides' room to guest rooms (40) | - | - |
| Oriental Hotel tokyo bay | - | Restaurant (45) | - | - | Guest rooms on 4F (101) | - | Guest rooms on 11F to 12F (140) | - | - | - |
| Namba Oriental Hotel | - | Corner rooms on 5F to 8F (10) | - | - | Guest rooms on 9F (91) | Guest rooms on 7F (77) | Guest rooms on 6F (78) | - | - | - |
| Hotel Nikko Alivila | - | - | Guest rooms on 3F to 8F of North building and 3F to 5F of central building (333) | - | Guest rooms on 9F (55) Restaurant (31) | - | Guest rooms on 1F, etc. (16) | - | - | - |
| Oriental Hotel Hiroshima | - | - | Banquet room on 23F (10) | - | Guest rooms on 7F to 10F (43) Banquet room on 4F (38) | - | Chapel (10) | Guest rooms on 13F to 14F (14) | Increase number of seats in café (8.5) | - |
| Holiday Inn Osaka Namba | - | - | - | - | - | - | Guest rooms on 4,6,7,12F (115) | Guest rooms on 10F to 11F (72) Guest rooms on 8F to 9F (72) | - | - |
| ibis Styles Sapporo | - | - | - | - | - | - | Vacant space on 1F (28) | - | - | - |
| Mercure Hotel Sapporo | - | - | - | - | - | - | Banquet room (15) | - | - | - |
| the b Ikebukuro | - | - | - | - | - | - | Guest rooms on 3F to 10F, etc. (18) | - | - | - |
| Oriental Hotel Okinawa Resort & Spa | - | - | - | - | - | - | - | Restaurant (142) | - | - |
| Oriental Hotel Fukuoka Hakata Station | - | - | - | - | - | - | - | Large-scale renovation works (1,690) | - | - |
| Hilton Tokyo Odaiba | - | - | - | - | - | - | - | - | Banquet room (92) | - |

7. The Five HMJ Hotels — Highlights

Change in GOP and GOP ratio



Change in KPI



(*) Since May 2019, in order to avoid dispersion on ADR and RevPAR between hotels caused by existence of service charge, numbers are changed to include service charge.

8. Portfolio Map

- ◆ Portfolio consisting of competitive hotels in areas with strong leisure lodging demand
- ◆ Selectively invest in locations with high growth potential of leisure demand such as Strategic Investment Areas

Total Assets

JPY**363.5**Bn

No. of Hotels

41 Hotels

No. of Guest Rooms

11,279 Rooms



(as of February 25, 2022)

| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

9. Balance Sheet

(Unit: JPY MM)

| | FY12/2020 End of Fiscal Year December 31, 2020 | FY12/2021 End of Fiscal Year December 31, 2021 | Variance | | FY12/2020 End of Fiscal Year December 31, 2020 | FY12/2021 End of Fiscal Year December 31, 2021 | Variance |
|------------------------------------|--|--|----------------|--|--|--|-----------------|
| (as of) | | | | (as of) | | | |
| ASSETS | | | | LIABILITIES | | | |
| Current Assets | 29,841 | 32,640 | 2,799 | Current Liabilities | 28,922 | 41,265 | 12,342 |
| Cash and Deposits ^(*1) | 28,553 | 30,296 | 1,743 | Operating Accounts Payable | 2,654 | 1,426 | (1,227) |
| Operating Accounts Receivables | 672 | 1,750 | 1,077 | Short-term Loans | 12,782 | 24,002 | 11,220 |
| Others | 615 | 593 | (22) | Current Portion of Investment Corporation Bond | 1,500 | 6,000 | 4,500 |
| Noncurrent Assets | 370,221 | 361,531 | (8,689) | Current Portion of Long-term Loans Payable | 10,800 | 8,434 | (2,366) |
| Net Property and Equipment | 333,303 | 326,143 | (7,159) | Accounts Payable | 672 | 712 | 40 |
| Buildings in Trust ^(*2) | 114,887 | 111,807 | (3,080) | Advances Received | 423 | 658 | 235 |
| Land in Trust | 216,410 | 212,263 | (4,147) | Others | 90 | 31 | (59) |
| Others ^(*3) | 2,006 | 2,073 | 67 | Long-term Liabilities | 150,172 | 131,516 | (18,655) |
| Intangible Assets | 33,991 | 32,704 | (1,287) | Investment Corporation Bonds | 40,100 | 34,100 | (6,000) |
| Other Assets | 2,926 | 2,683 | (242) | Long-term Loans Payable | 103,572 | 92,218 | (11,354) |
| Leasehold and Security Deposits | 162 | 152 | (10) | Tenant Leasehold and Security Deposits | 5,397 | 4,654 | (742) |
| Others | 2,763 | 2,531 | (232) | Derivative Liabilities | 767 | 202 | (565) |
| Deferred Assets | 233 | 151 | (81) | Others | 335 | 340 | 5 |
| | | | | TOTAL LIABILITIES | 179,095 | 172,781 | (6,313) |
| TOTAL ASSETS | 400,296 | 394,323 | (5,972) | NET ASSETS | | | |
| | | | | Unitholders' Capital | 186,894 | 187,194 | 300 |
| | | | | Capital Surplus | 21,746 | 21,746 | – |
| | | | | Reserve for Temporary Difference Adjustment | 10,617 | 10,311 | (305) |
| | | | | Reserve for Special Advanced Depreciation | 1,174 | 1,174 | – |
| | | | | Unappropriated Retained Earnings | 1,527 | 1,300 | (227) |
| | | | | Others | (759) | (185) | 573 |
| | | | | TOTAL NET ASSETS | 221,201 | 221,542 | 341 |
| | | | | TOTAL LIABILITIES AND NET ASSETS | 400,296 | 394,323 | (5,972) |

(*1) Cash and deposits in trust is included.

(*2) The sum of buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and construction in progress in trust.

(*3) The sum of machinery and equipment, tools, furniture and fixtures, and construction in progress.

Appendix 3

Investors Composition and Investment Unit Price

1. Major Unitholders and Classifications of Unitholders

Top 10 Major Unitholders

As of the end of June 2021

| Rank | Name | No. of Units | % ^(*) |
|--------------|---|------------------|------------------|
| 1 | The Master Trust Bank of Japan, Ltd. (Trust) | 738,140 | 16.52 |
| 2 | Custody Bank of Japan, Ltd. (Trust) | 460,578 | 10.31 |
| 3 | Custody Bank of Japan, Ltd. (Securities Investment Trust) | 205,527 | 4.60 |
| 4 | The Nomura Trust and Banking Co., Ltd. (Investment Trust) | 199,616 | 4.46 |
| 5 | SDSS K INVESTCO LIMITED | 117,567 | 2.63 |
| 6 | ELLIOTT INTERNATIONAL LP | 93,886 | 2.10 |
| 7 | Credit Suisse | 88,010 | 1.97 |
| 8 | GOLDMAN SACHS & CO. REG | 71,084 | 1.59 |
| 9 | GOLDMAN SACHS INTERNATIONAL | 68,162 | 1.52 |
| 10 | STATE STREET BANK CLIENT - TREATY 505234 | 66,943 | 1.49 |
| Total | | 2,109,513 | 47.22 |

As of the end of December 2021

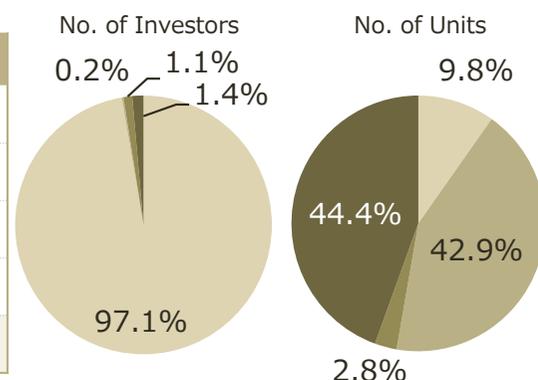
| Rank | Name | No. of Units | % ^(*) |
|--------------|---|------------------|------------------|
| 1 | The Master Trust Bank of Japan, Ltd. (Trust) | 723,372 | 16.19 |
| 2 | Custody Bank of Japan, Ltd. (Trust) | 473,663 | 10.60 |
| 3 | The Nomura Trust and Banking Co., Ltd. (Investment Trust) | 196,659 | 4.40 |
| 4 | Custody Bank of Japan, Ltd. (Securities Investment Trust) | 184,396 | 4.12 |
| 5 | SDSS K INVESTCO LIMITED | 117,567 | 2.63 |
| 6 | ELLIOTT INTERNATIONAL LP | 76,823 | 1.71 |
| 7 | STATE STREET BANK CLIENT - TREATY 505234 | 71,249 | 1.59 |
| 8 | THE BANK OF NEW YORK MELLON 140044 | 63,021 | 1.41 |
| 9 | SSBTC CLIENT OMNIBUS ACCOUNT | 62,547 | 1.40 |
| 10 | JP MORGAN CHASE BANK 385781 | 59,668 | 1.33 |
| Total | | 2,028,965 | 45.42 |

(*) The total units held by each investor to the total units issued by JHR as of the end of June 2021 and the end of December 2021, respectively. (Rounded down to two decimal places.)

Owners of the Investment Units

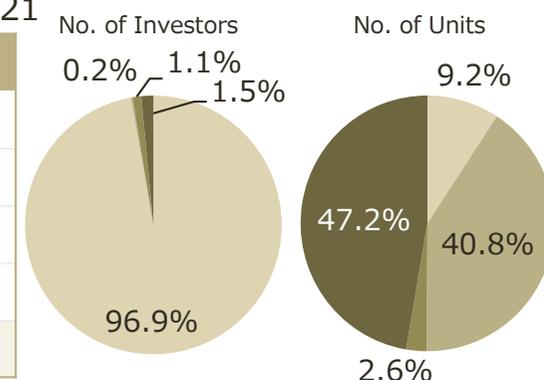
As of the end of June 2021

| Owners | No. of Investors | No. of Units |
|---|------------------|------------------|
| Individuals & Others | 32,189 | 439,430 |
| Financial Institutions (Incl. Securities Firms) | 81 | 1,917,630 |
| Other Domestic Firms | 395 | 126,029 |
| Foreign Firms & Individuals | 468 | 1,983,917 |
| Total | 33,133 | 4,467,006 |



As of the end of December 2021

| Owners | No. of Investors | No. of Units |
|---|------------------|------------------|
| Individuals & Others | 30,521 | 414,518 |
| Financial Institutions (Incl. Securities Firms) | 86 | 1,825,210 |
| Other Domestic Firms | 374 | 117,774 |
| Foreign Firms & Individuals | 500 | 2,109,504 |
| Total | 31,481 | 4,467,006 |



(*) Percentage of investors is percentage of owners in each segment to the total number of investors in JHR, and percentage of investment units is percentage of investment units owned by each segment to the total investment units issued as of respective date (both rounded down to one decimal place).

2. Changes in Investment Unit Price and Market Capitalization

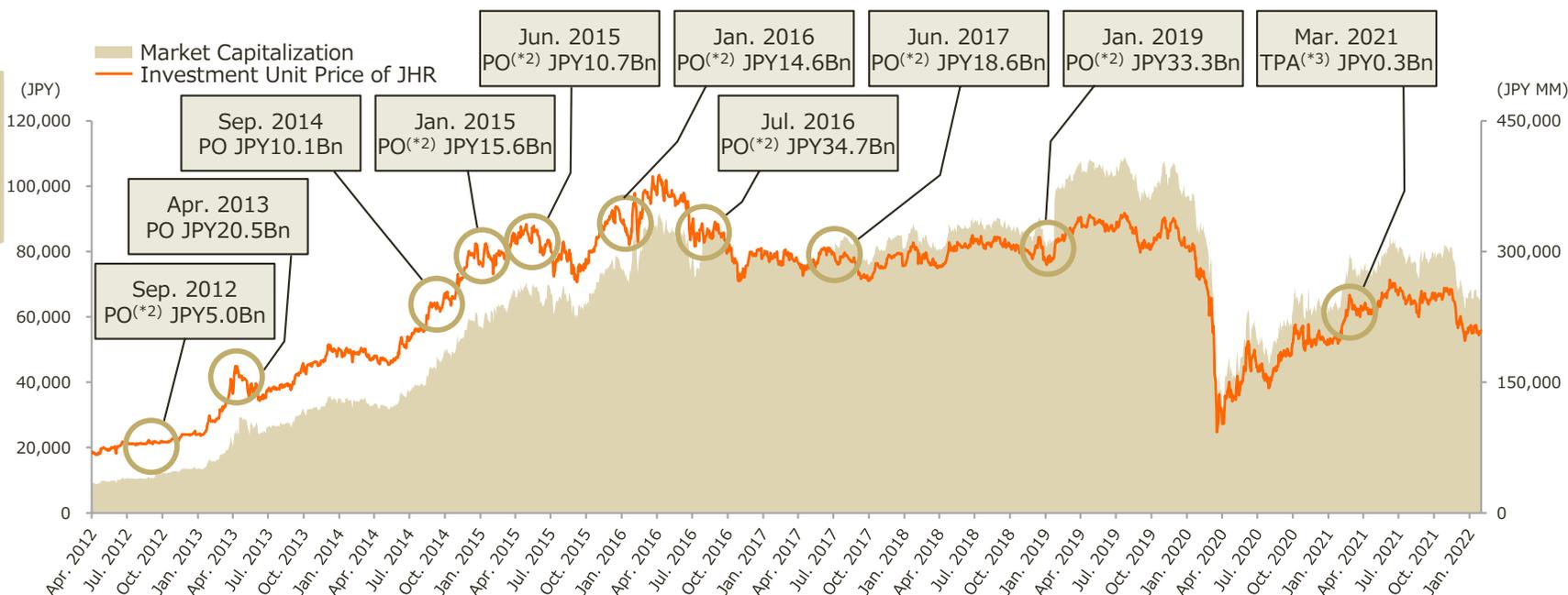
Changes in the investment unit price and market capitalization (Based on the closing price)

Price of the investment unit: JPY55,800
Total market capitalization: JPY249.2Bn
 (based on the closing price of January 31, 2022)

(*1) Price of the real estate investment securities may fall depending on the fluctuations of price of the real estate under management or profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in JHR units, please see Securities Report dated March 25, 2021 and Midterm Securities Report dated September 22, 2021.

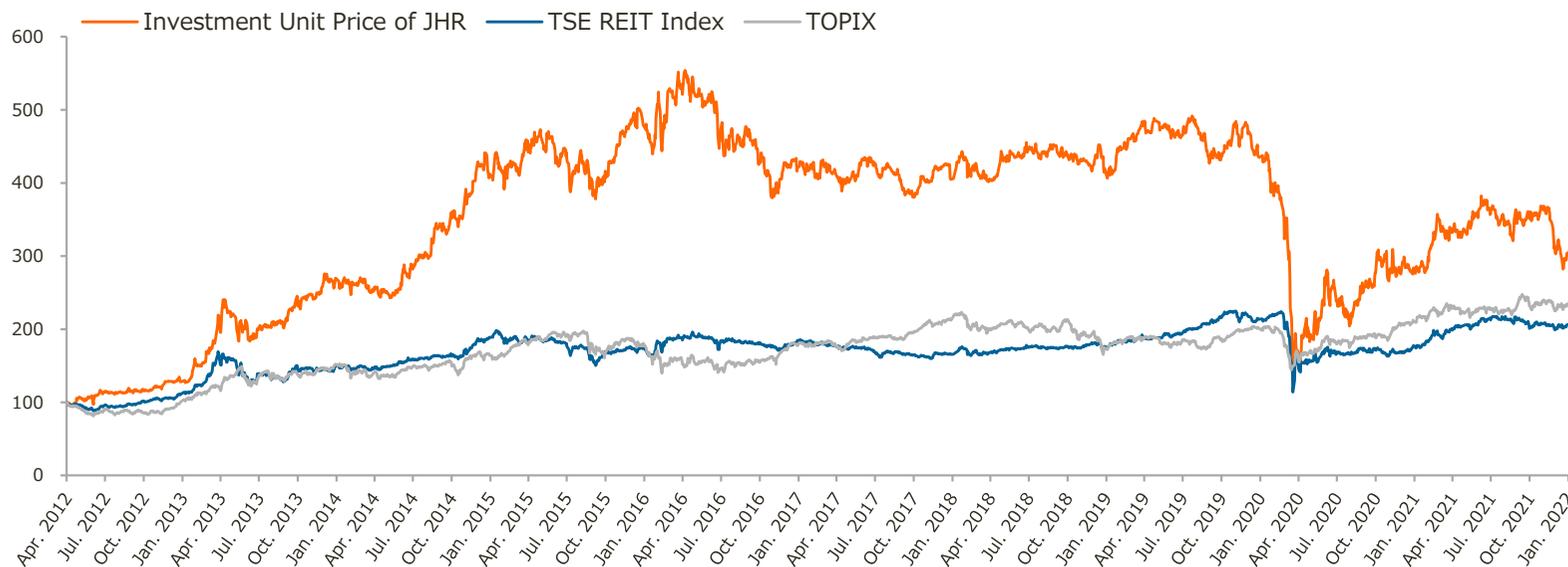
(*2) Including OA

(*3) Indicate the third-party allotment conducted March 2021, with sponsor group as allottee.



Comparison with REIT Index and TOPIX of Tokyo Stock Exchange (TSE)

(*1) 100 is the closing price of JHR unit, REIT index and TOPIX at TSE dated April 2, 2012. REIT Index of TSE is an index of a weighted average of the market capitalization of all REITs listed on TSE.



Appendix 4

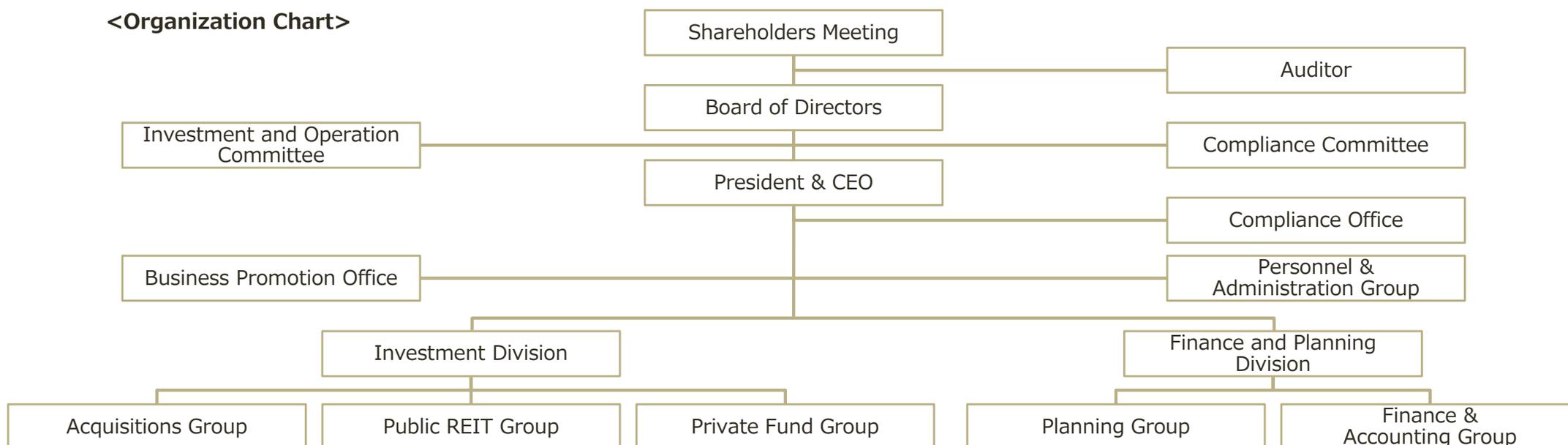
Summary of the Asset Management Company

1. Summary of the Asset Management Company

(as of December 31, 2021)

| | |
|---------------------------|---|
| Company | Japan Hotel REIT Advisors Co., Ltd. |
| Location | Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013 |
| Establishment | August 10, 2004 |
| Capital | JPY300MM |
| Shareholders | SCJ One (S) Pte. Ltd., Kyoritsu Maintenance Co., Ltd., ORIX Corporation |
| Representative Director | Hisashi Furukawa |
| Registration and Licenses | Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (4) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Trading Company, Director-General of Kanto Local Finance Bureau No. 334 Member of The Investment Trusts Association, Japan Member of The Japan Investment Advisers Association |

<Organization Chart>



Mission Statement

"Provide attractive hotel investment opportunities to investors as specialist in investment and management of hotel assets. Gain trust from our stakeholders, and contribute to local communities and society through investing and managing hotel assets."

Code of Conduct

As an independent asset management company, all employees and officers at JHRA should have a **"spirit of challenge"** aiming to constantly provide high added value.

Also, **"teamwork"** is inevitable to provide high added value.

JHRA recognizes **"challenge"** and **"teamwork"** as essential value which our code of conduct is based upon.

Challenge

- Be a self-starter, take initiative and demonstrate drive
- Set high goal and strive
- Respect creativity and innovation
- Promote challenge, free from fear of failure

Teamwork

- Respect teamwork and collaborate with team-mates
- Respect others. Respect values and opinions of others
- Promote "sharing" (idea, knowledge, information, goal, achievement, joy of achievement, lesson, etc.)
- Make effort for open, frank and sincere communication

Advanced Expertise

- ◆ Ability to propose transaction scheme, execute transaction, and plan and execute unprecedented measures of asset management based on in-depth understanding of hotel operation and track record of such asset management.
- ◆ Extensive experience of renovation and rebranding through collaboration with many hotel lessees and hotel operators.
- ◆ Strong and long-term relationships with a large number of hotel lessees and hotel operators.
- ◆ High analytical skills and accurate judgement capacity based on rich information and data obtained through a broad network and high credibility.

Ensured Independence

- ◆ No director and employee of JHRA is a seconded employee from sponsor.
- ◆ Part-time directors from our main sponsor, SC CAPITAL PARTNERS group and non-sponsor-related full-time directors each account for half of JHRA's board of directors.
- ◆ We established a more rigorous decision-making process for transactions with sponsor-related parties. In principle, JHRA undergoes deliberations and resolutions by the Investment and Operation Committee, the Compliance Committee which includes an outside specialist who is authorized to dismiss proposals, and the Board of Directors Meeting of JHRA. In addition, in cases where JHR conducts transactions with sponsor-related parties, such transactions shall be conducted upon the approval and resolution by the Board of Directors Meeting at JHR. The officers of JHR are all third parties unrelated to the sponsor-related parties.
- ◆ As our main sponsor, SC CAPITAL PARTNERS group is also an independent asset management company, it fully understands and respects importance of JHRA's independency. JHRA conducts asset management business based upon its own judgement.

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JHR mainly invests in real estate-related assets, primarily hotels which are subject to change in values. Therefore, unitholders, holders of investment unit subscription rights and investment corporation bonds may suffer losses due to economic conditions of the real estate market or securities market, economic situations including interest rate environment, the nature of investment units, investment unit subscription rights, and investment corporation bonds, dependency on mechanisms and related persons of investment corporations, changes in legal systems related to real estate (include tax regulations, building regulations and others), damage caused to the real estate-related assets by natural disasters, fluctuation in prices or profitability of the real estate-related assets, nature of the trust beneficiary rights under management, delisting of the investment units, or worsening financial position or insolvency of JHR. For details, please refer to the Articles of Incorporation, Securities Registration Statement, Annual Securities Report and Extraordinary Report, etc. of JHR.

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